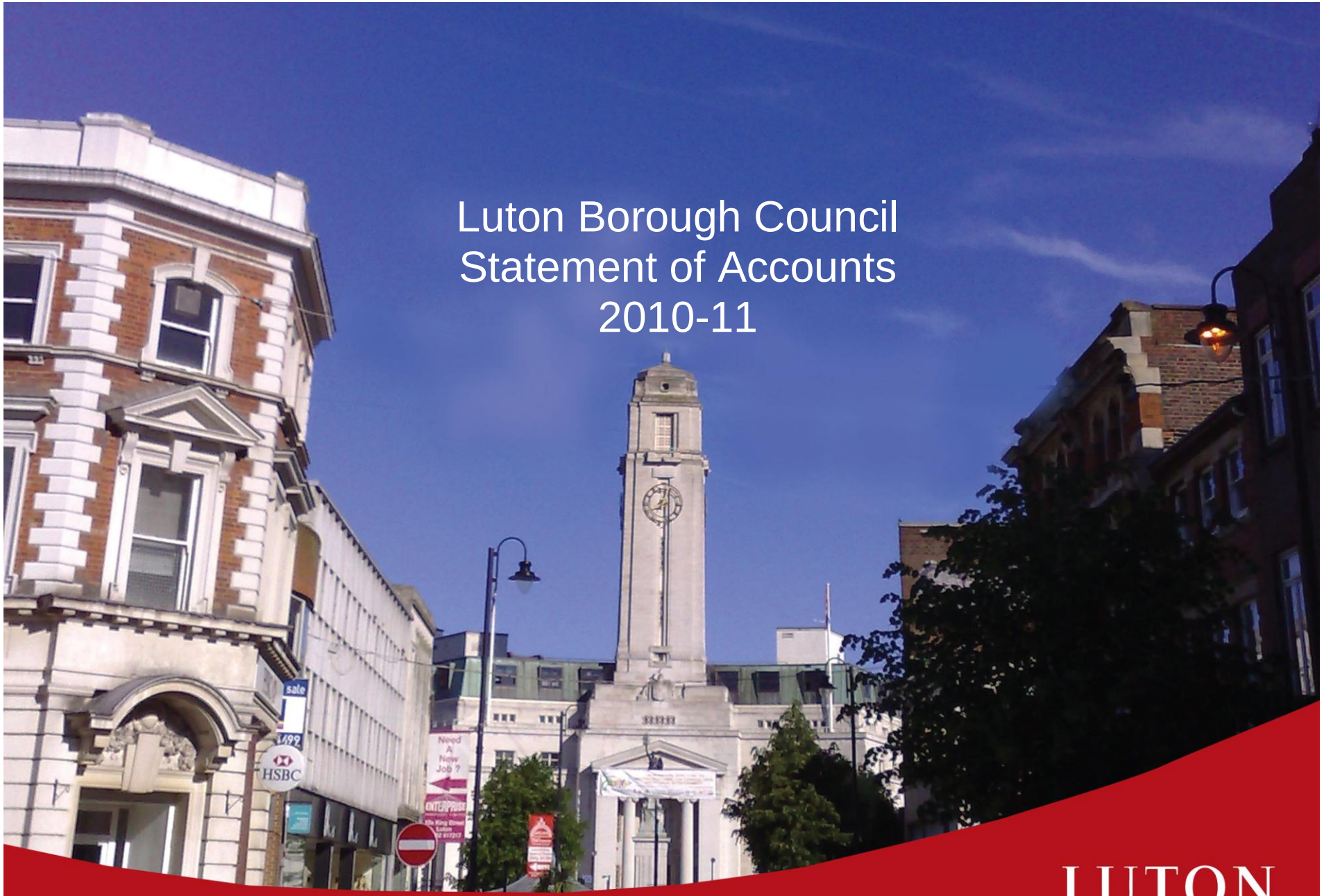


Luton Borough Council
Statement of Accounts
2010-11

Finance Division

LUTON

CONTENTS

	Page
Introduction to the Statement of Accounts	3
Explanatory Forward by the Head of Finance	5
Statement of Accounting Policies	13
Transition to International Financial Reporting Standards	33
Accounting Statements	38
Notes to the Accounts	46
Housing Revenue Account	122
Collection Fund	130
Group Accounts	134
Statement of Responsibilities	149
Annual Governance Statement	150
Independent Auditors Report	163
Glossary	166

Luton Borough Council's Statement of Accounts for the year ended 31 March 2011 is set out within this document. The Statement of Accounts demonstrates the Council's stewardship of public money and is an important element in the Council's accountability to the people of Luton. This introduction gives some context.

Format of the Accounts

This set of accounts has been prepared in line with International Financial Reporting Standards. This means that the accounts are prepared on the same basis as the rest of the UK public sector, major companies in the private sector and the public sector in other countries.

The focus of the accounts is primarily on balance sheet valuations and how changes in those valuations impact on the income and expenditure accounts. Local Government budgets are not prepared in the same way; they focus on the ongoing cost of providing services to local taxpayers according to statutory requirements. As a result, the Comprehensive Income and Expenditure Statement (formally known as the Income and Expenditure Account) can show a substantial deficit or surplus in the statement of accounts, whilst monitoring against the Council's budget shows a small surplus for the year. This is the case in 2010-11, as the surplus on the Comprehensive Income and Expenditure Statement is nearly £59 million, due to a significant movement on the pensions liability, offset by amounts of capital expenditure charged to revenue and impairment charges for Property, Plant and Equipment.

The statement that precedes the Comprehensive Income and Expenditure Statement in the accounts, the Movement in Reserves Statement, adjusts the deficit for amounts which have to be accounted for in a local authority's general fund balance according to statute and proper practice and shows transfers to earmarked reserves. This brings the figures back to the Council's budget and shows the surplus or deficit. For 2010-11 this shows a decrease in the General Fund balance of £2.27 million, following transfers to earmarked reserves and an increase in balances held by schools under local management schemes (LMS) of £4.57 million.

Where the money comes from

In 2010-11, the Council's total revenue income was £567 million. The main source of funding was the Government, who provided: formula and area based grants (£104 million, or 18% of the total), which in principle can be used on any service; dedicated schools grant (£141 million, or 24% of the total), which can only be spent on schools; and other specific and targeted grants from Government, many of which have to be spent in accordance with grant conditions, comprising 25% of the Council's funding. Council

Tax contributed only 11%. Further explanation of the Council's funding is set out in the foreword and detail is shown in the accounting statements which follow.

How the money was spent

The Council set the 2010-11 budget with no contribution from the general reserve. The dedicated schools grant represented an increase of 4.09% per pupil, a major increase in school spend. The non-schools budget had additional investment in key demand-driven areas, particularly providing residential, nursing and home care for older people, placements and care packages for adults with physical and learning disabilities. The financial outturn overall was close to budget monitoring predictions, with no unexpected overspends, which is in line with good practice.

David Kempson
Head of Finance

Statement of Accounts – Alternative Formats

This document can be made available in a range of languages, large print, Braille, electronic and other accessible formats.

For further information please contact Jean Stevenson, Finance Division, telephone 01582 546127, fax 01582 546850, e-mail jean.stevenson@luton.gov.uk

General Fund Revenue Expenditure

An overview of the revenue outturn for the year compared with the original budget approved by the Council in February 2010 is shown below.

	Budget £m	Actual £m	Variation £m
Amount to be met from Government Grant and Local Taxpayers	168.7	470.9	302.2
Amount met by Local Taxpayers	(63.1)	(63.6)	(0.5)
Payments from Government – general grants	(105.6)	(201.0)	(95.4)
Deficit for the year on the Income & Expenditure Account	-	206.3	206.3
Additional credits required by statute	-	(208.6)	(208.6)
(Increase)/Decrease in General Fund balance for the year	-	(2.3)	(2.3)

A comparison of 2010-11 change in budgeted General Fund balances with actual out-turn is shown below:

	Budget £m	Actual £m	Variation £m
General Reserve un-earmarked balance	-	2.3	2.3
Schools Reserves held under LMS	-	(4.6)	(4.6)
Net variation shown above	**-**	**(2.3)**	**(2.3)**
Movement on earmarked general reserves			
Invest to Save	(0.1)	0.4	0.5
Specific Risk Management	-	(0.2)	(0.2)

Cremator – Mercury Emissions	-	(0.1)	(0.1)
Reorganisation	0.3	(12.6)	(12.9)
Service Provision	1.6	(0.9)	(2.5)
Swimming Pool Development	-	0.3	0.3
Recession	-	0.6	0.6
Butterfield Profit Share	-	(0.2)	(0.2)
Local Partnership	(0.2)	0.3	0.5
Pension Reserve	-	(0.1)	(0.1)
Insurance Fund	(0.1)	1.4	1.5
Net Change in earmarked reserves	**1.5**	**(11.1)**	**(12.8)**

Each year the Council sets a minimum reserve balance that has to be kept in the un-earmarked General Reserve, and the specific risk management reserve, combined. This position leaves the Council at 31 March with that minimum balance. The underspend has mainly been allocated to the Reorganisation Reserve to help the Council deal with the ongoing impact of the reducing grant income from central government. The Recession Reserve allows the Council to deal with the impact of the recent economic downturn. The Swimming Pool Reserve is being used to cover some of the costs of developing a new pool in the town. The Pension Reserve is held because of the pension deficit (£180.4 million at 31.3.11) and the risk of increased contribution requirements. The Insurance Reserve is required to enable the Council to continue self-funding specific insurable risks.

Housing Revenue Account

The Housing Revenue Account expenditure and income for the year resulted in an increase in revenue reserves of £2.1 million leaving £3.3 million at the year-end. The original estimate was for the Housing Revenue Account to achieve a small surplus of £0.3 million and the following table sets out variations that are significant:

Reason for variation	£000s
Reduction in Expenditure in Repair Costs	(1,073.6)
Reduction in Expenditure of Aids & Adaptations	(342.8)
Reduction in Expenditure for Energy Bills	(186.6)
Reduction in Negative Subsidy Payments	(335.8)
Reduction in Expenditure in System Costs	(159.7)
Additional Expenditure in Income Management	114.0
Additional Expenditure in Rubbish Removal & Chute Clearance	158.6
Net Impact of Other Changes	(8.0)
	(1,833.9)

Collection Fund

The Collection Fund deficit at the year-end was £1.8 million. This deficit will be taken into account when setting the level of Council Tax in future years.

Pensions Liability and Reserve

Financial Reporting Standards require Councils to include their pensions liability, as estimated by the pension fund's actuary, on the balance sheet. The actuary estimates that as at 31 March 2011, the Bedfordshire Pension Fund is in deficit, and Luton's share of that deficit is £180.4 million. This means that the estimated cost of providing the pension benefits earned to date by both past and present employees is £180.4 million more than the value of the fund's assets, when assets and liabilities are valued in accordance

with generally accepted accounting practice. This is a major long-term liability that needs to be addressed in the Council's medium term financial strategy. The council's contributions are likely to continue at a very high level until the costs are fully funded in the long-term. It should be noted that the level of the deficit is heavily dependent on stock market values (approximately 54% of the fund's assets are in equities), and the approach to valuation adopted by the actuary. The deficit for 2009-10 was £348.5million.

The accounting entries required to show the extent of the pensions liability does not affect the surplus or deficit for the year, or the demand on the Council Tax. The surplus or deficit reflects the actual amounts paid by the Council to the Bedfordshire Pension Fund.

Group Income and Expenditure Account and Balance Sheet

These aggregate the accounts for the Council and London Luton Airport Ltd. The Airport company's profit and loss account showed a £5.1 million profit at the year end before dividend payments.

Capital and Revenue Expenditure treated as Capital under Statute

Expenditure in the year totalled £154.7 million and the method of financing is shown within the attached notes.

Funds Available for Capital and Capital Expenditure Plans

The total cost of resource required for projects scheduled to start by 2013 is £222.3million, with projected expenditure to 31 March 2013 being £205.0million, plus £17.3million in subsequent years to finalise the projects. The anticipated resources to fund the programme are shown in the following table:

Resource	£m
Government Grants	156.8
Major Repairs Allowance	12.7
Usable Capital Receipts	4.5
Third Party Contributions	4.0
Revenue Contributions to Capital Outlay	10.5
Supported Borrowing	9.3
Prudential Borrowing	24.5
Total	**222.3**

The programme to 31 March 2013 based on current estimated funding is summarised in the following table :

Programme Area	£m
Housing Public Sector	12.7
Housing Private Sector	5.2
Investment in Schools	60.5
Investment in Public Buildings	9.5
Highways	96.1
Cultural and related services	27.1
Social Services	1.9
Environment and Regeneration	1.8
Vehicles, Plant and Equipment	6.4
Other	1.1
Total	**222.3**

Borrowing & Investments

It is the Council's policy to consider borrowing externally for new capital expenditure, replacing external borrowing repaid, and to cover temporary revenue shortfalls. The requirement to borrow is reduced by utilising usable capital receipts, capital grants, other capital resources held pending their application and where appropriate existing investments and repayment of borrowing. In 2010-11 long-term loans raised totalled £42.5 million and no loans were repaid. External borrowing increased from £171.2 million to £213.7 million at the year-end. The long-term loans raised related to the costs of new capital expenditure. At the year end the Council had cash investments totalling £125 million. This is currently managed internally.

Certification

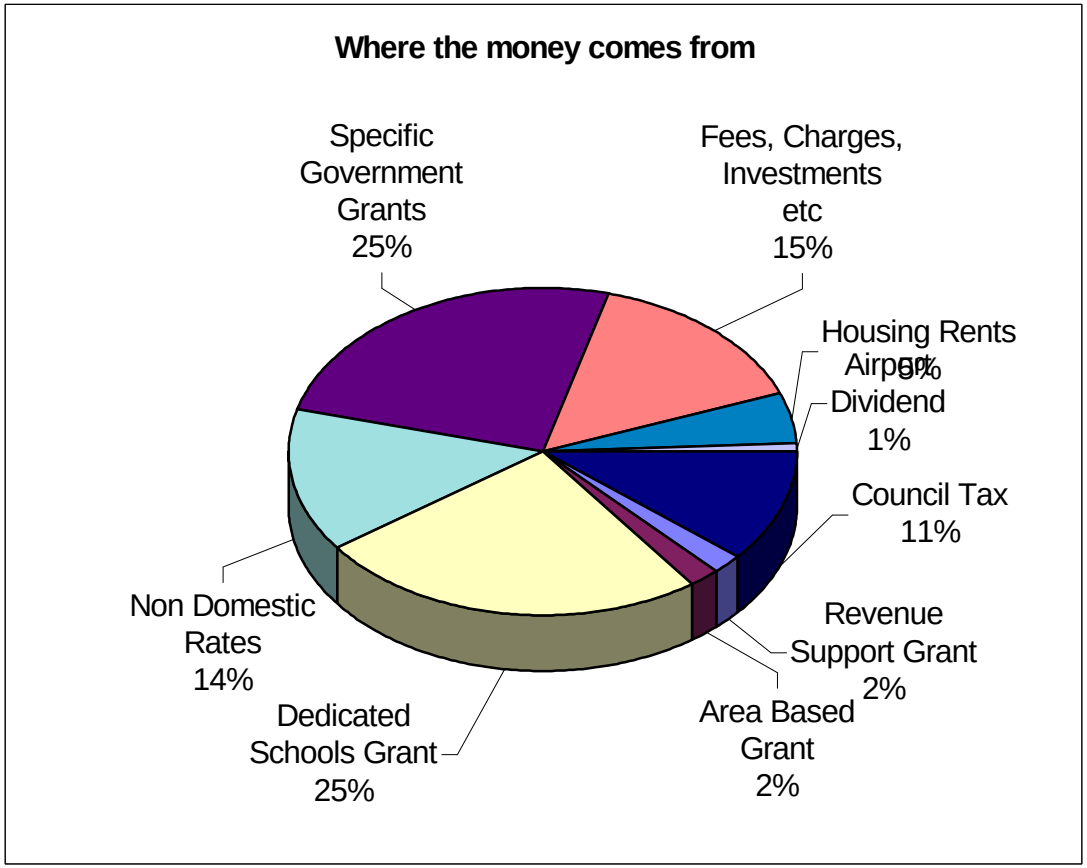
I certify that the statement of accounts presents a true and fair view of the financial position as at 31 March 2011 and its income and expenditure for the year then ended.

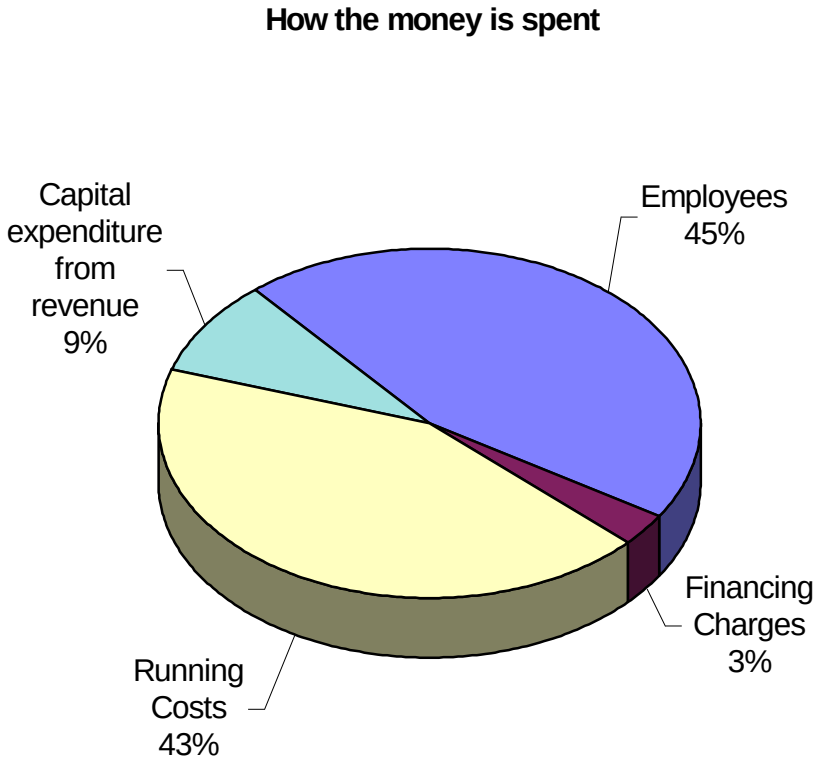


David Kempson MA (Oxon), CPFA
Head of Finance
30 June 2011

Revenue Expenditure and Financing 2010-11

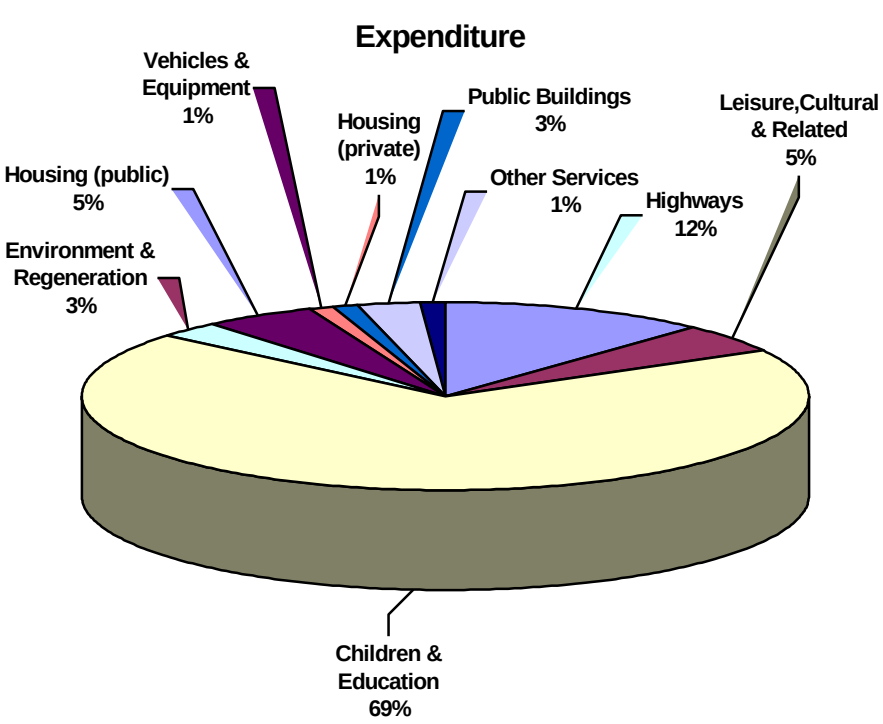
The Council's total income for 2010-11 was £567 million and the charts below show where the money came from and how it was spent.

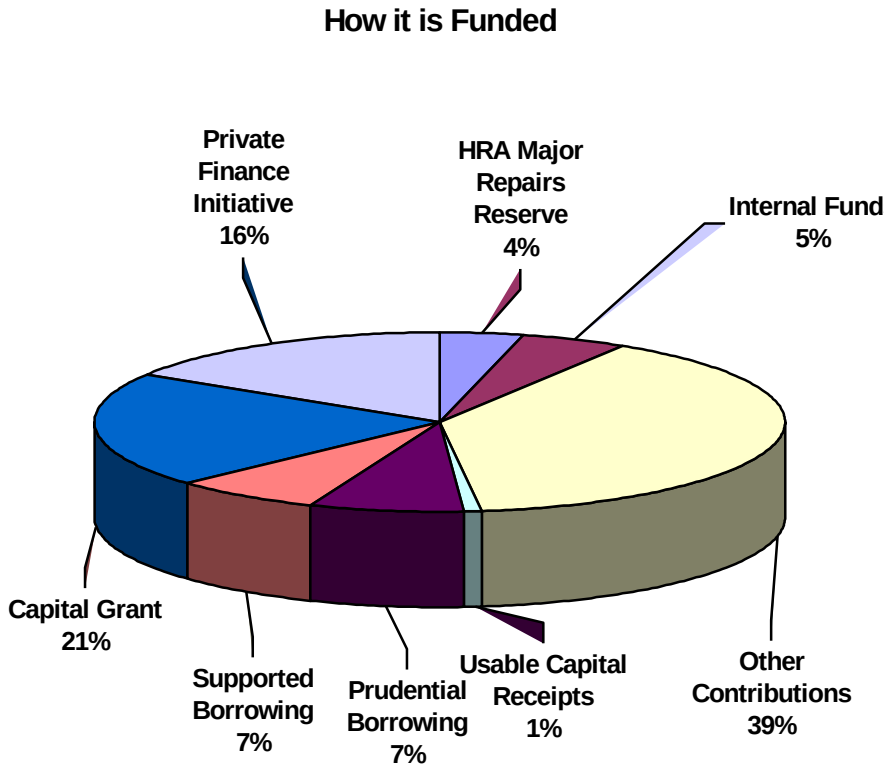




Capital Expenditure and Financing 2010-11

The Council spent £154.7 million on the provision or refurbishment of its assets during 2010-11. This investment covers all the Council's services including schools, social services, public buildings, housing stock (both private and public sector) and highways. The total spent on services and the way in which it was financed, is shown on these charts.





General Principles and Basis of Preparation

The Statement of Accounts summarise Luton Borough Council's transactions for the year ending 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, as subsequently amended. The regulations require the accounts to be prepared in accordance with proper accounting practices.

These practices primarily comprise the following: -

- The Code of Practice on Local Authority Accounting in the United Kingdom 2010-11
- The Best Value Accounting Code of Practice 2010-11

and are supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Basis of Consolidation

The Luton Borough Council Group consists of Luton Borough Council and London Luton Airport Limited, a wholly owned subsidiary. The Group Accounts have been prepared on the basis of a full consolidation; this means that all transactions between the Group entities are eliminated.

Income and Expenditure

The accounts are maintained on an accruals basis, this means that activity is accounted for in the year that it takes place, not simply when cash payments are made or received. This means that the following applies:

- Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits associated with the transaction will flow to the council.
- Revenue from the provision of services is recognised when the council can reliably assume that the transaction will be completed and it is probable that economic benefits associated will flow to the council.
- Goods procured by the council are accounted for when consumed, which is normally when they are delivered. Where there is a gap between delivery of goods and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received, including services provided by employees of the council, are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised in the accounts, but the cash transaction has not yet happened, a debtor or creditor will be recorded in the Balance Sheet for the relevant amount. For debtors where it is doubtful that the amount due will be received, the balance is reduced and a charge is made to revenue for the income that may not be collected.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Exceptional items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

Prior Period Adjustments, Changes in Accounting Polices and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses. However, it is required to make an annual contribution from revenue, known as the Minimum Revenue Provision (MRP), towards the reduction in its overall borrowing requirement. The MRP is calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses are therefore replaced by the MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expenses for services in the year in which employees render services to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off owed on flexi-time schemes) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an office's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount

calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable, but unpaid at the year-end.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Local Government Pensions Scheme, administered by Bedford Borough Council.
- The Teachers' Pension Scheme, administered by the Capital Teachers' Pensions on behalf of the Department for Education.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefit scheme:

- The liabilities of the Bedfordshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds).

- The assets of the Bedfordshire Pension Fund attributable to the council are included in the Balance Sheet at their fair value:
 - quoted securities – bid value
 - unquoted securities – professional estimate
 - unitised securities – bid value
 - property – market value.

- The change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
 - contributions paid to the Bedfordshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the Pension Fund, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements.

Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same polices as are applied to the Local Government Pension Scheme.

Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:
Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial Instruments

Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involved the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Comprehensive Income and

Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The Council has not issued any bonds, entered into any financial guarantees and does not have financial liabilities at fair value through profit or loss (such as derivatives).

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available–for–sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure statement is the amount receivable for the year in the loan agreement.

The Council has not made any soft loans.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement . The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available- for- Sale Assets

Available-for-Sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividend) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-sale reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was

settled. In the rare case where amounts in foreign currency are outstanding at the year-end, they are included at best estimate of the sterling cost.

Government grants and other contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

The Council does not currently have any such assets.

Interests in Companies and Other Entities

The Council has a material interest in a company that has the nature of a subsidiary and require it to prepare group accounts. In the Council's own single-entity statements, the interest in that company is recorded as financial asset, held at historic cost. The Council also has interests in a number of other companies which have the nature of a simple investment.

Inventories and Work in Progress

Inventories held at the year-end are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using either the "First in First Out (FIFO)" or the weighted average costing formula, depending on the nature of the inventory.

Work in Progress is valued at cost including an allocation of overhead expenses.

Long Term Contracts

Long term contracts are accounted for on the basis of Charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods. The definition is not met if the property is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated, but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resource of the venturers rather than the establishment of a separate entity.

The Council currently does not have any such arrangement.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and building, the land and building elements are considered separately for classification.

The Council's policy is not to enter into any new leases, regardless of type. Schools are permitted to enter into operating leases.

Arrangements that do not have the legal status of a lease, but convey a right to use an asset in return for payment will be accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. The Council does not currently have any such arrangements.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

If the Council were to grant a finance lease over a property or an item of plant or equipment, the relevant asset would be written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether, Property, Plant and Equipment, Investment Property or assets Held for Sale) would be written off to the Other Operating expenditure line in the Comprehensive Income and Expenditure statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, would be credited to the same line in the Comprehensive Income and Expenditure statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable would be apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums receivable), and
- Finance income (credited to the financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain which would be credited to the Comprehensive Income and Expenditure statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium is received, this will be posted out of the General Fund balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where an amount due in relation to a leased asset is to be settled by the payment of rentals in future financial years, this will be posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. If the future rentals were received, the element for the capital receipt for the disposal of the asset will be used to write down the lease debtor. At this point, the

deferred capital receipts will be transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the costs of fixed assets is fully provided for under separate arrangements for capital financing. Amounts would therefore be appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial significant direct costs incurred in negotiating and arranging the lease can be added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income).

Overheads and Support Services

In accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010-11 (BVACOP), the costs of central departments are charged to services broadly on the basis of time spent by officers or an appropriate applicable measurement. Information Management Services are charged on a range of bases such as unit cost for desktop facilities, actual cost for applications, productive hours for application and network support etc. Accommodation is allocated on a floor area occupied basis. The total absorption costing principle is used, the full cost of overheads and support services are shared between users in proportion to the benefits received with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition
Expenditure on the acquisition of, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. routine repairs and maintenance) is charged as an expense when it is incurred.

Measurement
Property, Plant and Equipment is capitalised if it is capable of being used for more than one year and items individually have a cost of at least £5,000 and normally £10,000. They are also capitalised if collectively they have a cost of at least £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates and expected disposal dates and are under single managerial control.

Assets are initially valued at cost, comprising:
- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in a Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction - *historical cost net of depreciation* (community assets are not depreciated)
- council dwellings - *existing use for social housing* on the basis laid down by the DCLG, i.e. open market value less a specified notified percentage known as the social housing discount.
- all other assets – *fair value*, determined as the amount that would be paid for the asset in its existing use

Where there is no market evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (i.e. the cost of reconstructing the building on a modern equivalent basis less accumulated depreciation), is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance up to the amount of the accumulated gains.
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the

amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction)

Depreciation is calculated on the following bases:

- buildings - on a straight–line basis over their estimated useful lives. Assets are depreciated over forty years, unless a different period is advised by the Council's Valuer.
- dwellings - in accordance with guidelines the Housing Revenue Account is charged an amount equivalent to the depreciation on Council dwellings, by way of the Major Repairs Allowance. Other Housing properties are depreciated in the normal manner
- Infrastructure - depreciated on the straight-line method using asset lives of up to forty years.
- Vehicles and Equipment - depreciated on a 25% reducing balance method.

Newly acquired assets are depreciated from the mid point of the year, although assets in the course of construction are not depreciated until the year in which they are brought into use.

Where an item of Property, Plant and Equipment asset has a new major component after 1 April 2010 whose cost is significant in relation to the total cost of the item, the component will be depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

The Comprehensive Income and Expenditure Statement therefore fully reflects the use of assets and the consumption of their economic benefits in the provision of services.

Foundation and Voluntary Schools are not included in the Council's assets as the Governing body is in the main responsible for the asset. Therefore there are no depreciation charges in respect of these buildings.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before

reclassification and then carried at the lower of the amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on the Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under PFI schemes, and as ownership of the property, plant and equipment will pass to the

Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using he same principles as for a finance lease)
- Life cycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Provision for Back Pay Arising from Unequal Pay Claims

The Council has not made any provisions for the costs of settling claims for back pay arising from any discriminatory payments. Most claims have already been settled and outstanding issues fall within the definition of a Contingent Liability.

Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grants.

After initial recognition, allowances are measured at the lower of cost and net realisable value. As net realisable value and fair value is currently estimated to be nil, no transactions appear in the accounts.

Contingent Liabilities

A contingent liability arise where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement, a charge is incurred against council tax at this point. When expenditure to

be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the General Fund Balance in the Movement in Reserves statement so that there is no second charge against council tax.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant polices.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

The Statement of Accounts for 2010-11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009-10.

The following tables explain the material differences between the amounts presented in the 2009-10 financial statements and the equivalent amounts presented in the 2010-11 financial statements.

1. Correction of previous errors

As part of the transition to IFRS, a number of errors have been identified in the 2009-10 accounts. Most of these errors are not material, but are presentational issues. For example the "other gains/losses for the year" figure of £224k, shown in the UK GAAP accounts Statement of Total Recognised Gains and Losses, has now been correctly included in the appropriate sections of the Comprehensive Income and Expenditure Statement.

However, one material error has been identified in that capital schemes had been incorrectly accounted for as Revenue Expenditure Funded from Capital under Statute, as there was insufficient information about the nature of the capital scheme when the accounts were drawn up. Details obtained during the restatement work confirmed that the expenditure was increasing capacity at a number of schools, not refurbishing existing classrooms. The adjustments made to the 2009-10 financial statements are as follows:

	Balance Sheet		Income & Expenditure
	1 April 2009 £000s	31 March 2010 £000s	2009-10 £000s
Assets under Construction	546	3,845	
Capital Adjustment Account	(546)	(3,845)	
Education and Children's Services			(3,299)

2. Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay. Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when the employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used. Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009-10 financial statements:

	Balance Sheet		Income & Expenditure
	1 April 2009 £000s	31 March 2010 £000s	2009-10 £000s
Creditors	3,133	3,998	
Accumulated Absences Account	(3,133)	(3,998)	
Central Services to the Public			14
Cultural, environmental, regulatory and planning services			45
Education and Children's Services Expenditure			722
Highways and transport services			37
Local authority housing (HRA)			(9)
Other housing services			13
Adult Social Care			15
Other Corporate Costs			28

3. Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease, or as a finance lease where it was previously treated as an operating lease.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Council is the lessee) will be unchanged. Where the council is the lessor, the regulations allow the council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Council has recognised a number of vehicles, plant and equipment as finance lease, these leases are carried as Property, Plant and Equipment in the Balance Sheet.

As a consequence of classifying the above as finance lease, the financial statements have been amended as follows:

- The Council has recognised assets and finance lease liabilities.
- The operating lease charges within the relevant services have been reduced by the amount that relates to the lease payments
- Depreciation charges have been included within the cost of the relevant services.
- The depreciation charges have been transferred from the General Fund to the Capital Adjustment Account, and the General Fund has been charged with the Minimum Revenue Provision (with the credit being made to the Capital Adjustment Account). These transfers are reflected in the balance sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009-10 are reported in the Movement in Reserves Statement for the year.
- The interest element of the lease payments is charged to the Financing and Investment income and expenditure line in Surplus or Deficit on the Provision of Services.

This has resulted in the following changes being made to the 2009-10 financial statements:

	Balance Sheet		Income & Expenditure
	1 April 2009 £000s	31 March 2010 £000s	2009-10 £000s
Property, Plant and Equipment (leased assets)	258	193	
Finance lease liability	227	80	
Capital Adjustment Account	113	30	
Cultural, environmental, regulatory and planning services			45
Education and Children's Services Expenditure			30

The net charge to each service area consists of the removal of the operating lease charge and the inclusion of the depreciation charge. The net increase in the Surplus or Deficit on the Provision of Services is removed by the transfer of the depreciation charge to the Capital Adjustment Account and inclusion of the Minimum Revenue Provision charge. These transfers are shown in the Movement in Reserves Statement.

4. Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009-10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Some grants were received, but not used in 2009-10. Previously, no income was recognised in respect of these grants, which were shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change

in accounting policy, the grants have been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

This has resulted in the following changes being made to the 2009-10 financial statements:

	Balance Sheet		Income & Expenditure
	1 April 2009 £000s	31 March 2010 £000s	2009-10 £000s
Government Grants Deferred Account	126,892	170,325	
Capital Adjustment Account	(106,858)	(144,035)	
Capital Grants Receipts in Advance	(9,982)	(23,005)	
Capital Grants Unapplied Account	(10,052)	(3,287)	
Central Services to the Public			(83)
Cultural, environmental, regulatory and planning services			(1,610)
Education and Children's Services Expenditure			(49,577)
Highways and transport services			(14,326)
Local authority housing (HRA)			-
Other housing services			(867)
Adult Social Care			(1,053)
Taxation and non-specific grant income			-

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) On the Provision of Services Line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance £000s	Earmarked General Fund Reserves £000s	Schools Reserves £000s	Housing Revenue Account £000s	H RA Capital Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied Reserve £000s	**Total Usable Reserves £000s**	Unusable Reserves £000s	**Total Council Reserves £000s**
Balance at 31 March 2009	**7,239**	**28,916**	**7,235**	**2,444**	**1,620**	**210**	**10,052**	**57,716**	**561,914**	**619,630**
Movement in Reserves during 2009-10										
Surplus or (deficit) on the provision of services	(6,674)	-	-	(3,838)	-	-	-	**(10,512)**	-	**(10,512)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	**-**	(171,400)	**(171,400)**
Total Comprehensive Income and Expenditure	**(6,674)**	**-**	**-**	**(3,838)**	**-**	**-**	**-**	**(10,512)**	**(171,400)**	**(181,912)**
Adjustment between accounting basis & funding basis under regulations (Note 7)	7,422	(2,265)	-	2,607	(1,281)	-	(6,764)	**(281)**	281	**-**
Net Increase/Decrease before transfers to Earmarked Reserves	**748**	**(2,265)**	**-**	**(1,231)**	**(1,281)**	**-**	**(6,764)**	**(10,793)**	**(171,119)**	**(181,912)**
Transfers to/from Earmarked Reserves (Note 8)	(1,184)	(458)	1,642	-	-	-	-	**-**	-	**-**
Increase/Decrease in 2009-10	**(436)**	**(2,723)**	**1,642**	**(1,231)**	**(1,281)**	**-**	**(6,764)**	**(10,793)**	**(171,119)**	**(181,912)**

	General Fund Balance £000s	Earmarked General Fund Reserves £000s	Schools Reserves £000s	Housing Revenue Account £000s	H RA Capital Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied Reserve £000s	**Total Usable Reserves £000s**	Unusable Reserves £000s	**Total Council Reserves £000s**
Balance at 31 March 2010 carried forward	**6,803**	**26,193**	**8,877**	**1,213**	**339**	**210**	**3,288**	**46,923**	**390,795**	**437,718**
Movement in Reserves during 2010-11										
Surplus or (deficit) on the provision of services	(152,329)	-	-	(53,949)	-	-	-	**(206,278)**	-	**(206,278)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	**-**	265,214	**265,214**
Total Comprehensive Income and Expenditure	**(152,329)**	**-**	**-**	**(53,949)**	**-**	**-**	**-**	**(206,278)**	**265,214**	**58,936**
Adjustment between accounting basis & funding basis under regulations (Note 7)	163,638	(2,659)	-	56,063	179	64	3,590	**220,875**	(220,875)	**-**
Net Increase/Decrease before transfers to Earmarked Reserves	**11,309**	**(2,659)**	**-**	**2,114**	**179**	**64**	**3,590**	**14,597**	**44,339**	**58,936**
Transfers to/from Earmarked Reserves (Note 8)	(13,582)	9,012	4,570	-	-	-	-	**-**	-	**-**
Increase/(Decrease) in 2010-11	**(2,273)**	**6,353**	**4,570**	**2,114**	**179**	**64**	**3,590**	**14,597**	**44,339**	**58,936**
Balance at 31 March 2011 carried forward	**4,530**	**32,546**	**13,447**	**3,327**	**518**	**274**	**6,878**	**61,520**	**435,134**	**496,654**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing service in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009-10 Gross Expenditure £000s	2009-10 Gross Income £000s	2009-10 Net Expenditure £000s		2010-11 Gross Expenditure £000s	2010-11 Gross Income £000s	2010-11 Net Expenditure £000s
3,385	(1,584)	1,801	Central services to the public	2,983	(1,401)	1,582
67,747	(14,328)	53,419	Cultural, environmental, regulatory and planning services	57,295	(13,310)	43,985
264,113	(195,475)	68,638	Education and children's services	470,236	(203,372)	266,864
22,809	(4,702)	18,107	Highways and transport services	23,640	(6,110)	17,530
38,030	(34,321)	3,709	Local authority housing (HRA)	86,390	(32,632)	53,758
103,499	(96,403)	7,096	Other housing services	109,934	(98,767)	11,167
81,857	(25,224)	56,633	Adult social care	75,117	(22,862)	52,255
6,736	(392)	6,344	Corporate and democratic core	7,641	(355)	7,286
2,923	-	2,923	Non distributed costs	5,837	-	5,837
591,099	**(372,429)**	**218,670**	**Cost of Services**	**839,073**	**(378,809)**	**460,264**
		630	Other operating expenditure (Note 9)			753
		7,584	Financing and investment income and expenditure (Note 10)			8,441
		(216,371)	Taxation and non-specific grant income (Note11)			(263,180)
		10,513	**(Surplus) or Deficit on Provision of Services**			**206,278**

2009-10 Gross Expenditure £000s	2009-10 Gross Income £000s	2009-10 Net Expenditure £000s		2010-11 Gross Expenditure £000s	2010-11 Gross Income £000s	2010-11 Net Expenditure £000s
		(7,792)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(83,837)
		179,192	Actuarial gains/losses on pension assets/liabilities			(181,378)
		171,400	**Other Comprehensive Income and Expenditure**			**(265,215)**
		181,913	**Total Comprehensive Income and Expenditure**			**(58,937)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example a Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

1 April 2009 £000s	31 March 2010 £000s		Notes	31 March 2011 £000s
		Property, Plant & Equipment	12	
377,074	378,339	Council dwellings		320,309
314,278	313,691	Other land and buildings		311,617
18,816	18,725	Vehicles, plant, furniture and equipment		20,698
35,987	62,503	Infrastructure assets		63,148
6,105	6,201	Community assets		6,201
32,009	61,050	Assets under construction		47,695
72,926	58,589	Investment Property	13	46,535
77,241	67,573	Long Term Investments	15	50,932
1,608	1,289	Long Term Debtors	15	1,033
936,044	**967,960**	**Long Term Assets**		**868,168**

1 April 2009 £000s	31 March 2010 £000s		Notes	31 March 2011 £000s
26,578	14,207	Short Term Investments	15	34,126
-	1,300	Assets Held for Sale	20	1,200
236	282	Inventories	16	203
37,608	50,219	Short Term Debtors	18	42,767
24,508	35,151	Cash and Cash Equivalents	19	82,508
88,930	**101,159**	**Current Assets**		**160,804**
(8,279)	(5,098)	Cash and Cash Equivalents (Bank Overdrawn)	19	(996)
(1,401)	(1,639)	Short Term Borrowing	15	(12,020)
(62,770)	(99,658)	Short Term Creditors	21	(101,045)
(3,248)	(4,103)	Provisions	22	(9,288)
(75,698)	**(110,498)**	**Current Liabilities**		**(123,349)**
(788)	-	Provisions	22	-
(162,679)	(171,255)	Long Term Borrowing	15	(203,755)
(166,179)	(349,648)	Other Long Term Liabilities	15	(205,214)
(329,646)	**(520,903)**	**Long Term Liabilities**		**(408,969)**
619,630	**437,718**	**Net Assets**		**496,654**

1 April 2009 £000s	31 March 2010 £000s		Notes	31 March 2011 £000s
7,239	6,803	General Fund		4,530
2,444	1,213	Housing Revenue Account		3,328
48,033	38,907	Earmarked Reserves	23	53,662
57,716	**46,923**	**Usable Reserves**		**61,520**
561,914	390,795	Unusable Reserves	24	435,134
619,630	**437,718**	**Total Reserves**		**496,654**



David Kempson MA (Oxon), CPFA

Head of Finance

30 June 2011

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipient of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2009-10 £000s		2010-11 £000s
10,513	Net (surplus) or deficit on the provision of services	206,278
(47,281)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(346,021)
11,547	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	6,069
(25,221)	Net cash flows from Operating Activities (Note 25)	(133,674)
53,197	Investing Activities (Note 26)	114,702
(41,800)	Financing Activities (Note 27)	(32,487)
(13,424)	Net increase or decrease in cash and cash equivalents	(51,459)
(16,229)	Cash and cash equivalents at the beginning of the reporting period	(30,053)
(30,053)	**Cash and cash equivalents at the end of the reporting period (Note 19)**	**(81,512)**

1. Accounting Policies

The accounting policies adopted in the production of these accounts are outlined in the separate section immediately before the Accounting Statements on pages 13 to 32.

2. Accounting Standards that have been issued but have not yet been adopted

The Accounting Standards Board issued FRS30, Heritage Assets, in June 2009. This standard will be adopted for the 2011-12 Accounting year, resulting in the Council's Heritage Assets being recognised as a separate class of assets for the first time in the financial statements for that year.

Heritage Assets are currently classified as Community Assets within the accounts and are each carried at a nominal £1. There are approximately 60 items identified on the current asset register, which range from single items to full museum collections.

At present it is not possible to estimate the revaluation gains that will be recognised when the assets are carried at a fair value, however a single item was acquired for £750,000 in 2006.

There is not expected to be any change in depreciation or impairment for the 2010-11 financial year when the accounts are restated for the adoption of this standard.

3. Critical judgements in applying Accounting Policies

In applying the accounting policies set out above, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The main critical judgement made in the Statement of Accounts is:

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. This is because the Council is determined to preserve front line services as far as possible.

4. Assumptions made about the future and other major sources of estimation uncertainty.

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors.

However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assts. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful lives of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £200,000 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways, during 2010-11, the Council's actuaries advised that the net pensions liability had decreased by £168.1 million due to positive asset returns, falling long term inflation expectations and the pensions increase change from RPI to CPI.
Debtor Arrears	At 31 March 2011, the Council had a balance of just over £6 million for non-statutory debts with organisations outside the machinery of government.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £879,000 to set aside as an allowance

Item	Uncertainties	Effect if actual results differ from assumptions
Creditors/Debtors	The claim for Housing Benefit Subsidy is closed based on forecasts provided, adjusted for known expenditure and historical experience of the subsidy claim.	A 1% difference in subsidy could be a additional cost or additional income of £900,000

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

5. Material Items of Income and Expense

At the end of 2009-10 the Council was carrying significant values for assets under construction on its Balance Sheet. During 2010-11, three major projects completed; the refurbishment of Lea Manor High School and the construction new school buildings for Barnfield West and Barnfield South Academies. As Lea Manor High School is a Foundation School and the two Academies are independent of the Council, none of these assets are now included in the Balance Sheet and have therefore been written out of the accounts via a charge of just under £80 million to the Education and Children's Services line in the Comprehensive Income and Expenditure Statement.

Denbigh High School became an Academy on 1 November 2010 and Challney Boys High School became an Academy on 1 April 2011. The schools had previously converted from Community Schools to Foundation Schools, therefore the asset values of both sites have been impaired to no value in these accounts, resulting in a charge of just over £17.5 million to the Education and Children's Services line in the Comprehensive Income and Expenditure Statement.

The valuation of assets has led to significant impairment which has been charged to the Comprehensive Income and Expenditure Statement in a couple of areas:

- Impairment of values for school sites charged to Education and Children's Services of approximately £87.9 million as a result of the change in valuation methods from Depreciated Replacement Cost – Replica Asset to Depreciated Replacement Cost - Modern Equivalent Asset.

- Impairment of values for Housing Revenue Account Assets, including the Council's Housing Stock, of approximately £57.1 million, as a result of market conditions.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance on XX September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions exiting at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2010-11	Usable Reserves					
	General Fund & Earmarked Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	**Movement in Unusable Reserves £000s**
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(208,322)	(61,234)	-	-	-	269,556
Movements in the market value of Investment Properties	(6,736)	-	-	-	-	6,736
Revenue Expenditure funded from Capital under Statute	(45,935)	(1,504)	-	-	-	47,439
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,136)	(921)	-	-	-	2,057
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	8,102	-	-	-	-	(8,102)

2010-11	Usable Reserves					
	General Fund & Earmarked Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Capital expenditure charged against the General Fund and HRA balances	7,896	-	-	-	-	(7,896)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	96,959	-	-	-	(96,959)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	93,368	(93,368)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive Income and Expenditure Statement	1,016	1,654	(2,670)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	1,417	-	-	(1,417)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	(45)	45	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the government capital receipts pool	(1,208)	-	1,208	-	-	-

2010-11	Usable Reserves					
	General Fund & Earmarked Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	**Movement in Unusable Reserves £000s**
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(66)	-	-	-	-	66
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	6,030	-	(6,030)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	5,966	-	(5,966)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	129	-	-	-	-	(129)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	(29,485)	(1,028)	-	-	-	30,513

2010-11	Usable Reserves					
	General Fund & Earmarked Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	**Movement in Unusable Reserves £000s**
Employer's pensions contributions and direct payments to pensioners payable in the year	16,404	807	-	-	-	(17,211)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	447	-	-	-	-	(447)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	956	(1)	-	-	-	(955)
Total Adjustments	**(160,979)**	**(56,242)**	**-**	**(64)**	**(3,591)**	**220,876**

2009-10 Comparative Figures	Usable Reserves					
	General Fund Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	**Movement in Unusable Reserves £000s**
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(27,171)	(3,332)	-	-	-	30,503
Movements in the market value of Investment Properties	(16,778)	-	-	-	-	16,778
Revenue Expenditure funded from Capital under Statute	(43,221)	-	-	-	-	43,221
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(162)	(929)	-	-	-	1,091
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	6,874	-	-	-	-	(6,874)
Capital expenditure charged against the General Fund and HRA balances	8,614	214	-	-	-	(8,828)

2009-10 Comparative Figures	Usable Reserves					
	General Fund Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	57,019	-	-	-	(57,019)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	63,783	(63,783)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive Income and Expenditure Statement	208	1,589	(1,797)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	496	-	-	(496)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	(68)	68	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the government capital receipts pool	(1,223)	-	1,233	-	-	-

2009-10 Comparative Figures	Usable Reserves					
	General Fund Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(97)	-	-	-	-	97
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	6,126	-	(6,126)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	6,126	-	(6,126)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	130	-	-	-	-	(130)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	(20,940)	170	-	-	-	20,770

2009-10 Comparative Figures	Usable Reserves					
	General Fund Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	**Movement in Unusable Reserves £000s**
Employer's pensions contributions and direct payments to pensioners payable in the year	16,135	-	-	-	-	(16,135)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(812)	-	-	-	-	812
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(873)	9	-	-	-	864
Total Adjustments	**(22,297)**	**3,779**	**-**	**-**	**6,764**	**11,764**

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010-11.

	Balance at 1 April 2009 £000s	Transfers Out 2009/10 £000s	Transfers In 2009/10 £000s	Balance at 31 March 2010 £000s	Transfers Out 2010-11 £000s	Transfers In 2010-11 £000s	Balance at 31 March 2011 £000s
General Fund							
Schools Reserves	7,235	(7,235)	8,877	8,877	(8,877)	13,447	13,447
Invest to Save Reserve	1,974	(334)	511	2,151	(969)	617	1,799
Planning Reserve	186	-	-	186	-	-	186
Cremator (Mercury Emissions) Reserve	248	-	123	371	-	140	511
Specific Risk Management Reserve	2,775	-	-	2,775	-	195	2,970
Service Provision Reserve	5,987	(3,044)	795	3,738	(2,647)	1,699	2,790
Swimming Pool Reserve	569	(188)	-	381	(300)	-	81
Local Partnership Reserve	-	-	460	460	(292)	-	168
Butterfield Profit Share Reserve	-	-	204	204	-	180	384
Recession Reserve	772	(130)	2,054	2,696	(627)	-	2,069
Reorganisation Reserve	3,088	(1,242)	258	2,104	(2,994)	15,644	14,754
Capital Reserve – General Fund	6,280	(8,664)	6,400	4,016	(8,196)	5,237	1,057
Insurance Reserve	4,302	-	19	4,321	(1,394)	-	2,927
Pensions Reserve	2,736	-	55	2,791	-	59	2,850
Housing Revenue Account							
Capital Reserve	1,620	(1,495)	214	339	-	178	517
Total	**37,772**	**(22,332)**	**19,970**	**35,410**	**(26,296)**	**37,396**	**46,510**

9. Other Operating Expenditure

2009/10 £000s		2010-11 £000s
113	Levies	112
1,155	Payments to the Government Housing Capital Receipts Pool	1,208
(638)	Gains/losses on the disposal of non-current assets	(563)
630	**Total**	**753**

10. Financing and Investment Income and Expenditure

2009/10 £000s		2010-11 £000s
6,068	Interest payable and similar charges	7,593
13,678	Pensions interest cost and expected return on pensions assets	13,193
(3,894)	Interest receivable and similar income	(3,788)
(2,935)	Income and expenditure in relation to investment properties and changes in their fair value	(3,719)
(5,333)	Other investment activity	(4,838)
7,584	**Total**	**8,441**

11. Taxation and Non Specific Grant Incomes

2009/10 £000s		2010-11 £000s
60,528	Council Tax income	62,190
70,501	Non-domestic rates	78,496
16,273	Revenue Support Grant	11,398
11,306	Area Based Grant	14,116
57,763	Capital Grants and contributions	96,980
216,371	**Total**	**263,180**

12. Property, Plant and Equipment

Movement on Balances

Movements in 2010-11	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets under Construction £000s	**Total Property, Plant and Equipment £000s**	PFI Assets included in PPE £000s
Cost or Valuation									
At 1 April 2010	378,339	313,691	18,724	62,503	6,201		61,048	**840,506**	
Additions	6,217	24,467	2,253	8,034			80,727	**121,698**	24,392
Revaluation increases/ (decreases) recognised in the Revaluation Reserve		82,038	4,177					**86,215**	
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services									
Derecognition - disposals	(921)	(584)	(102)					**(1,607)**	
Derecognition – other							(94,082)	**(94,082)**	
Assets reclassified (to)/from Held for Sale									
Other movements in cost or valuation		10,565		44				**10,609**	
At 31 March 2011	**383,635**	**430,177**	**25,052**	**70,581**	**6,201**	**0**	**47,693**	**963,339**	**24392**
Accumulated Depreciation and									

Movements in 2010-11	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets under Construction £000s	**Total Property, Plant and Equipment £000s**	PFI Assets included in PPE £000s
Impairment									
At 1 April 2010									
Depreciation charge									
Depreciation written out to the Revaluation Reserve	(6,235)	(1,700)	(96)					**(8,031)**	124
Depreciation written out to the Surplus/Deficit on the Provision of Services		(5,079)	(3,192)	(7,395)				**(15,666)**	
Impairment losses/(reversals) recognised in the Revaluation Reserve	(2,151)	(2,680)	(126)					**(4,957)**	
Impairment losses (reversals) recognised in the Surplus/ Deficit on the Provision of Services	(54,939)	(109,104)	(980)					**(165,023)**	
Derecognition – disposals									
Derecognition – other									
Other movements in depreciation and impairment									
At 31 March 2011	**320,310**	**311,614**	**20,658**	**63,186**	**6,201**	**0**	**47,693**	**769,662**	**24,268**
Net Book Value									
At 31 March 2011	320,310	311,614	20,658	63,186	6,201	0	47,693	**769,662**	24,268
At 31 March 2010	378,339	313,691	18,724	62,503	6,201	0	61,048	**840,506**	0

Comparative Movements in 2009/10	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets under Construction £000s	**Total Property, Plant and Equipment £000s**	PFI Assets included in PPE £000s
Cost or Valuation									
At 1 April 2009	377,073	314,203	18,834	35,987	6,105		31,463	**783,665**	
Additions	6,126	809	3,220	13,204	96		53,554	**77,009**	
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,215	1,116						**3,331**	
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services									
Derecognition - disposals	(930)		(168)					**(1,098)**	
Derecognition – other							(23,999)	**(23,999)**	
Assets reclassified (to)/from Held for Sale									
Other movements in cost or valuation		3,977		20,396				**24,373**	
At 31 March 2010	**384,484**	**320,105**	**21,886**	**69,587**	**6,201**	**0**	**61,018**	**863,281**	
Accumulated Depreciation and Impairment									
At 1 April 2009									
Depreciation charge									

Comparative Movements in 2009/10	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets under Construction £000s	**Total Property, Plant and Equipment £000s**	PFI Assets included in PPE £000s
Depreciation written out to the Revaluation Reserve	(6,122)	(139)	(3)					**(6,264)**	
Depreciation written out to the Surplus/Deficit on the Provision of Services	(22)	(2,009)	(3,159)	(7,084)				**(12,274)**	
Impairment losses/(reversals) recognised in the Revaluation Reserve	(1)	(3,223)						**(3,224)**	
Impairment losses (reversals) recognised in the Surplus/ Deficit on the Provision of Services		(1,043)						**(1,043)**	
Derecognition – disposals								**0**	
Derecognition – other								**0**	
Other movements in depreciation and impairment								**0**	
At 31 March 2010	**378,339**	**313,691**	**18,724**	**62,503**	**6,201**	**0**	**61,018**	**840,476**	

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – the Major Repairs Allowance is used as an appropriate measure

- Other Land and Buildings – 40 years (unless a different life is advised by the valuer)
- Vehicles, Plant, Furniture and Equipment – 25% applied to the reducing balance
- Infrastructure – up to 40 years

Capital Commitments

At 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011-12 and future years budgeted to cost £114.8 million. Similar commitments at 31 March 2010 were £45.9 million. The major commitments are:

- Luton & Dunstable Guided Busway - £47 million
- Building Schools for the Future - £36 million
- Aquatics Centre - £19 million

Effects of Changes in Estimates

In 2010-11, the Council made material changes to its accounting estimates for Property, Plant and Equipment.

The method of depreciation has been changed for both infrastructure assets and buildings from reducing balance to the straight line method.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are normally carried out internally. For 2010-11, due to the volume of properties due to be reviewed, valuations have been carried out by Drivers Jonas Deloitte (a trading name of Deloitte LLP). Valuations of land and building were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on purchase prices.

13. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2010-11 £000s	2009-10 £000s
Rental income from investment property	4,805	4,096
Direct operating expenses arising from investment property	(449)	(504)
Impairment Losses	(637)	(657)
Net gain/(loss)	3,719	(2,935)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarise the movement in the fair value of investment properties over the year:

	2010-11 £000s	2009-10 £000s
Balance at start of the year:	58,589	71,010
Additions:		
➢ Purchases	-	-
➢ Construction	-	-
➢ Subsequent expenditure	168	26
Disposals	(450)	-
Net gains/losses from fair value adjustments	(4,157)	(9,081)
Transfers (to/from Inventories or PPE)	-	(3,366)

Other changes	(7,615)	
Balance at end of the year	**46,535**	**58,589**

14. Intangible Assets

The Council does not have any Intangible Assets as all its software is an integral part of a particular IT system and is accounted for as part of the hardware item of Property, Plant and Equipment. License fees are paid on an annual basis from revenue and are accounted for against the relevant services.

15. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried on the Balance Sheet:

	Long-term		Current	
	31 March 2011 £000s	31 March 2010 £000s	31 March 2011 £000s	31 March 2010 £000s
Investments				
Loans and receivables	13,321	29,962	116,633	49,358
Unquoted equity investment at cost	37,566	37,566	-	-
Total Investments	**50,887**	**67,528**	**116,633**	**49,358**
Debtors				
Loans and receivables	15	15		
Financial assets carried at contract amounts			21,076	24,755
Total Debtors	**15**	**15**	**21,076**	**24,755**
Borrowings				
Financial liabilities at amortised cost	(203,755)	(171,255)	(13,016)	(6,737)
Financial liabilities at fair value through profit and loss	-	-	-	-
Total Borrowings	**(203,755)**	**(171,255)**	**(13,016)**	**(6,737)**
Other Long Term Liabilities				
PFI and finance lease liabilities	(24,039)	(227)		
Other liabilities	(784)	(954)		
Total Other Long Term Liabilities	**(24,823)**	**(1,181)**		
Creditors				
Financial liabilities at amortised cost	-	-		
Financial liabilities at contract amount			47,148	50,955
Total Creditors	**-**	**-**	**47,148**	**50,955**

Reclassification

There were no reclassifications during the year.

Income, Expense, Gains and Losses

	2010-11				2009-10				
	Financial Liabilities measured at amortised cost £000s	Financial Assets: Loans and receivables £000s	Assets and Liabilities at Fair Value through Profit and Loss £000s	**Total £000s**	Financial Liabilities measured at amortised cost £000s	Financial Assets: Loans and receivables £000s	Financial Assets: Available for sale £000s	Assets and Liabilities at Fair Value through Profit and Loss £000s	**Total £000s**
Interest expense	7,520	-	-	**7,520**	6,034	-	-	-	**6,034**
Losses on derecognition	-	-	-	**-**	-	-	-	-	**-**
Reductions in fair value	-	-	-	**-**	-	-	-	-	**-**
Impairment losses	-	-	-	**-**	-	-	-	-	**-**
Fee expense	44	-	-	**44**	39	-	-	-	**39**
Total expense in Surplus or Deficit on the Provision of Services	**7,564**	**-**	**-**	**7,564**	**6,073**	**-**	**-**	**-**	**6,073**
Interest income	-	(3,785)	-	**(3,785)**	-	(3,889)	-	-	**(3,889)**
Interest income accrued on impaired financial assets	-	-	-	**-**	-	-	-	-	**-**
Increases in fair value	-	-	-	**-**	-	-	-	-	**-**
Gain on derecognition	-	-	-	**-**	-	-	-	-	**-**
Fee income	-	-	-	**-**	-	-	-	-	**-**
Total income in Surplus or Deficit on the Provision of Services	**-**	**(3,785)**	**-**	**(3,785)**	**-**	**(3,889)**	**-**	**-**	**(3,889)**

	2010-11				2009-10				
	Financial Liabilities measured at amortised cost £000s	Financial Assets: Loans and receivables £000s	Assets and Liabilities at Fair Value through Profit and Loss £000s	**Total £000s**	Financial Liabilities measured at amortised cost £000s	Financial Assets: Loans and receivables £000s	Financial Assets: Available for sale £000s	Assets and Liabilities at Fair Value through Profit and Loss £000s	**Total £000s**
Gains on revaluation	-	-	-	**-**	-	-	-	-	**-**
Losses on revaluation	-	-	-	**-**	-	-	-	-	**-**
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-	-	-	-	-
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net gain/(loss) for the year	**7,564**	**(3,785)**	**-**	**3,779**	**6,073**	**(3,889)**	**-**	**-**	**2,184**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2011 of 1.89% to 5.25% for loans from the PWLB and 3.61% to 4.01% for other loans receivable and payable, based on new lending rates for equivalent loans at that date.

- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2011		31 March 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Financial liabilities	216,771	206,729	177,992	179,545
Long-term creditors	24,823	24,823	1,181	1,181

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders below current market rates.

	31 March 2011		31 March 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Loans and receivables	129,954	130,413	79,320	81,370
Long-term debtors	1,033	1,033	1,289	1,289

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) attributable to the commitment to receive interest below current market rates.

Available for sale assets and assets and liabilities at fair value through profit or loss when held are carried in the Balance Sheet at their fair value. These fair values are based on public price quotation where there is an active market for the instrument. The exception to this treatment is London Luton Airport Limited where:

- Shares (representing 100% of the Company's capital) are carried at a historic cost of £20.345 million and have not been valued as a fair value cannot be measured reliably. The Council has no current intention to dispose of the shareholding.
- Debentures are carried at a historic cost of £16.921 million as the income is not fixed or determinable and a fair value cannot be measured reliably. The Council has no current intention to dispose of the debentures

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

16. Inventories

	Building Works Stores		Transport Stores		School Meals Stores		Fuel Stores & Railcards		Rechargeable Work in Progress		Total	
	2010-11 £000s	2009-10 £000s	2010-11 £000s	2009-10 £000s	2010-11 £000s	2009-10 £000s	2010-11 £000s	2009-10 £000s	2010-11 £000s	2009-10 £000s	2010-11 £000s	2009-10 £000s
Balance outstanding at start of year	110	81	88	60	42	40	23	31	19	24	282	236
Purchases	377	448	116	159	1,946	1,807	869	755	2	24	3,310	3,193
Recognised as an expense in the year	(415)	(419)	(137)	(129)	(1,955)	(1,805)	(850)	(763)	(19)	(29)	(3,376)	3,145)
Written off balances	-	-	(2)	(2)	-	-	(11)	-	-	-	(13)	(2)
Balance outstanding at year-end	72	110	65	88	33	42	31	23	2	19	203	282

17. Construction Contracts

At 31 March 2011 the Council has no construction contracts where the Council is not the customer.

18. Debtors

The outstanding debtors at 31 March 2011 comprised the following:

	31 March 2011 £000s	£000s	31 March 2010 £000s	£000s
Central Government Bodies		20,138		24,033
Other Local Authorities				
General	986		1,897	
Collection Fund Preceptors	1,090	2,076	1,228	3,125
NHS Bodies		1,581		2,587
Public Corporations and trading funds		5,321		5,764
Other entities and individuals				
General	6,011		6,502	
Provision for Doubtful Debts	(879)	5,132	(835)	5,667
Council Tax Payers	17,518		16,263	
Provision for Doubtful Debts	(13,325)	4,193	(11,742)	4,521
Tenants (HRA & Temporary)	7,652		7,403	
Provision for Doubtful Debts	(6,904)	748	(6,626)	777
Housing Benefits Overpayments	4,789		4,595	
Provision for Doubtful Debts	(4,240)	549	(3,981)	614
Payments in Advance		3,029		3,131
Total		**42,767**		**50,219**

19. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2010 £000s		31 March 2011 £000s
1,295	Cash held by the Council	1,712
(5,098)	Bank current accounts	(996)
33,082	Short-term deposits with banks	57,190
774	Money Market Funds	23,606
30,053	**Total Cash and Cash Equivalents**	**81,512**

20. Assets Held for Sale

	Current	
	2010-11 £000s	2009-10 £000s
Balance outstanding at start of year	1,300	-
Assets newly classified as held for sale:		
➢ Investment Properties	-	1,300
Impairment losses	(100)	-
Balance outstanding at year-end	**1,200**	**1,300**

21. Creditors

	31 March 2011 £000s	31 March 2010 £000s
Central Government Bodies:		
Amounts owed	(11,935)	(7,628)
Capital Grants received in advance	(39,567)	(33,395)
Other amounts received in advance	(5,441)	(7,757)
Other Local Authorities:		
Amounts owed	(3,483)	(4,265)
Amounts received in advance	(348)	(313)
NHS Bodies:		
Amounts owed	(364)	(613)
Amounts received in advance	(842)	(417)
Other Entities and individuals:		
Amounts owed	(31,366)	(38,449)
Amounts received in advance from Council Taxpayers	(2,476)	(2,347)
Amounts received in advance from Housing Tenants	(1,145)	(544)
Amounts received in advance from Developers	(2,456)	(2,272)
Other amounts received in advance	(1,622)	(1,658)
Total	**(101,045)**	**(99,658)**

22. Provisions

	Amounts relating to employees £000s	Uninsured Losses (Insurance) £000s	Other Provisions £000s	Total £000s
Balance at 1 April 2010	**(786)**	**(1,542)**	**(1,775)**	**(4,103)**
Additional provisions made in 2010-11	(6,239)	(700)	(414)	(7,353)
Amounts used in 2010-11	200	421	771	1,392
Unused amounts reversed in 2010-11	-	126	650	776
Balance at 31 March 2011	**(6,825)**	**(1,695)**	**(768)**	**(9,288)**

Amounts relating to employees
This primarily refers to two matters:

- severance payments expected to be made to employees as a result of the decisions taken by the Council in February 2011 when setting it's budget for the 2011-12 financial year.
- an outstanding income tax issue due to be settled with HM Revenues and Customs in 2011-12 but referring to payments made to employees in previous years.

Insurance – Uninsured Losses
Due to the fact that many insurance claims are made and/or settled some years after the incident to which they relate, it is not possible to determine when any claims are likely to be settled.

23. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement. The Council has a number of earmarked reserves which are grouped together on the Movement in Reserves Statement and the details of transfers to and from those reserves are given at note 8. The reasons for holding each of the reserves are as follows:

Schools Reserves
Schools operating under Local Management Arrangements hold reserves, which are specifically for future use by each individual school and therefore are not available to the Council for general use.

31 March 2010 Net £000s		31 March 2011 Surplus £000s	Deficit £000s	Net £000s
539	Nursery	1,083	-	1,083
4,540	Primary	6,561	-	6,561
23	Secondary	778	(299)	479
309	Special	473	-	473
5,411		8,895	(299)	8,596
1,944	Foundation	2,036	-	2,036
592	Voluntary Aided	909	-	909
930	Central	1,906	-	1,906
8,877	**Total**	**13,746**	**(299)**	**13,477**

Invest to Save
This specific reserve is to be utilised for initiatives, which will reduce future revenue costs.

Planning
This reserve is required to deal with the uncertainties associated with fluctuating planning income that is affected by economic cycles and the cost of planning enquiries.

Cremator (Mercury Emissions)
This reserve results for a levy on each cremation to provide for a replacement cremator in 2011, to reduce the level of mercury emissions.

Specific Risk Management
Active risk management is increasingly important for all local authorities. As a result, part of the General Reserve has been earmarked to cover potential loss of income, given the importance to the Council of its trading undertakings.

Service Provision
This reserve is earmarked for specific budget carry forward requests from 2010-11 to 2011-12.

Swimming Pool
This reserve is to be used to fund the initial development costs associated with the construction of a fifty-metre swimming pool.

Local Partnership
This reserve holds the unused Local Area Agreement Reward Grant for 2009-10. The funds are earmarked for use by the Local Strategic Partnership for a mixture of revenue and capital projects.

Butterfield Profit Share
In accordance with the agreement made with the operator of the Business Innovation Centre, the Council's share of the profit is held in this reserve for economic development activities.

Recession
This reserve is earmarked to help the Council deal with the impact on the local community and potentially on its own budgets of the global downturn currently being experienced.

Reorganisation
This reserve is to enable the Council to cover the costs of reorganisations required as a result of budget decisions. A number of approved savings will involve reducing staff numbers and whilst the council aims to redeploy staff wherever possible, redundancy and early payment of pension may become due. This reserve is to enable the Council to pay for such costs as they arise.

Capital Reserve
The General Fund capital reserve holds contributions from the Income and Expenditure Account to fund capital expenditure. The balance at year-end represents those amounts unapplied during 2010-11. These will be carried forward to fund capital expenditure in 2011-12 and future years.

Insurance Reserve
The Council reduces the cost of external insurance by self-insurance of certain risks and this reserve is held against claims, which may be received in future years.

Pension Fund Reserve
This reserve is earmarked for reducing future pension liabilities and will be paid to the Bedfordshire Pension Fund.

24. Unusable Reserves

31 March 2010 £000s		31 March 2011 £000s
27,497	Revaluation Reserve	109,494
701,952	Capital Adjustment Account	494,753
(1,522)	Financial Instruments Adjustment Account	(1,392)
17,265	Deferred Capital Receipts Reserve	17,199
(348,467)	Pensions Reserve	(180,391)
(1,933)	Collection Fund Adjustment Reserve	(1,486)
(3,998)	Accumulated Absences Account	(3,043)
390,794	**Total Unusable Reserves**	**435,134**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009-10 £000s		2010-11 £000s	£000s
19,951	**Balance at 1 April**		**27,497**
11,584	Upward revaluation of assets	89,398	
(3,792)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(5,561)	
27,743	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		83,837
(207)	Difference between fair value depreciation and historical cost depreciation	(1,840)	
0	Accumulated gains on assets sold or scrapped	0	
(39)	Amount written off to the Capital Adjustment Account		0
27,497	**Balance at 31 March**		**109,494**

Capital Adjustment Account
The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009-10 £000s		2010-11 £000s	£000s
695,105	**Balance at 1 April**		**701,952**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
(36,672)	➢ Charges for depreciation and impairment of non-current assets	(274,451)	
0	➢ Revaluation losses on Property, Plant and Equipment	0	
(43,221)	➢ Revenue expenditure funded form capital under statute	(47,440)	
(1,097)	➢ Amounts of non-current assets written off on disposal or sale as part of the gain/ loss on disposal to the Comprehensive income and Expenditure Statement	(2,058)	
(80,990)			(323,949)
39	Adjusting amounts written out of the Revaluation Reserve		0
(80,951)	Net written out amount of the cost of non-current assets consumed in the year		(323,949)
	Capital financing applied in the year:		
682	➢ Use of the Capital Receipts Reserve to finance new capital expenditure	1,417	
6,126	➢ Use of the Major Repairs Reserve to finance new capital expenditure	5,966	
64,007	➢ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	93,369	
	➢ Application of grants to capital financing from the Capital grants Unapplied Account		
6,874	➢ Minimum Revenue Provision	8,102	
	➢ Statutory provision for the financing of capital investment charged against the General fund and HRA balances		
10,109	➢ Capital expenditure charged against the general Fund and HRA balance	7,896	
87,798			116,750
701,952	**Balance at 31 March**		**494,753**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over the next 12 years.

2009-10 £000s		2010-11 £000s	£000s
1,560	**Balance at 1 April**		**1,522**
92	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	
(130)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(129)	
(38)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(129)
1,522	**Balance at 31 March**		**1,392**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pensions funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources

the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009-10 £000s		2010-11 £000s
(164,639)	**Balance at 1 April**	**(348,467)**
(179,127)	Actuarial gains / (losses) on pensions assets and liabilities	181,378
(20,836)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(30,513)
16,135	Employer's pensions contributions and direct payments to pensioners payable in the year	17,211
(348,467)	**Balance at 31 March**	**(180,391)**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2009-10 £000s		2010-11 £000s
17,361	**Balance at 1 April**	**17,265**
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
(96)	Transfer to the Capital Receipts Reserve upon receipt of cash	(66)
17,265	**Balance at 31 March**	**17,199**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009-10 £000s		2010-11 £000s
(1,121)	**Balance at 1 April**	**(1,933)**
(812)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	447
(1,933)	**Balance at 31 March**	**(1,486)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance be neutralised by transfers to or from the Account.

2009-10 £000s		2010-11 £000s	£000s
(3,133)	**Balance at 1 April**		**(3,998)**
3,133	Settlement or cancellation of accrual made at the end of the preceding year	3,998	
(3,998)	Amounts accrued at the end of the current year	(3,043)	
(865)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		955
(3,998)	**Balance at 31 March**		**(3,043)**

25. Cash Flow Statement – Operating Activities

The cash flow for operating activities include the following items:

2009-10 £000s		2010-11 £000s
(4,209)	Interest received	(9,825)
6,145	Interest paid	7,466
(5,500)	Dividends received	(6,000)

26. Cash Flow Statement – Investing Activities

2009-10 £000s		2010-11 £000s
69,601	Purchase of property, plant and equipment and investment properties	58,361
43,221	Other capital payments	75,018
5,000	Purchase of short-term and long-term investments	19,919
-	Other payments for investing activities	-
(1,836)	Proceeds from the sale of property, plant and equipment and investment property	(2,545)
(14,668)	Proceeds from short-term and long-term investments	-
(48,121)	Other receipts from investing activities	(36,051)
53,197	**Net cash flows from investing activities**	**114,702**

27. Cash Flow Statement – Financing Activities

2009-10 £000s		2010-11 £000s
(41,800)	Cash receipts of short-term and long-term borrowing	(42,421)
-	Other receipts from financing activities	-
-	Cash payments	9,934
-	Proceeds from short-term and long-term investments	-
-	Other receipts from investing activities	-
(41,800)	**Net cash flows from investing activities**	**(32,487)**

28. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Council's departments recorded in the budget reports for the year is as follows:

Departmental Income and Expenditure 2010-11	Chief Executives	Children and Learning	Customer and Corporate Services	Environment and Regeneration	Housing and Community Living	Corporate	Total
	£000's	£000's	£000's	£000's	£000's	£'000's	£000's
Fees, charges & other service income	(329)	(15,748)	(5,962)	(14,215)	(56,628)	(11)	(92,893)
Government Grants	(385)	(182,749)	(92,320)	(3,589)	(2,428)		(281,471)
Total Income	**(714)**	**(198,497)**	**(98,282)**	**(17,804)**	**(59,056)**	**(11)**	**(374,364)**

Departmental Income and Expenditure 2010-11	Chief Executives	Children and Learning	Customer and Corporate Services	Environment and Regeneration	Housing and Community Living	Corporate	Total
	£000's	£000's	£000's	£000's	£000's	£'000's	£000's
Employee expenses	4,376	162,936	17,422	23,191	32,205		240,130
Other service expenses	(406)	219,339	68,070	32,144	86,161	163	405,471
Support service recharges	2,331	5,781	19,265	11,260	11,466	95	50,198
Total Expenditure	**6,301**	**388,056**	**104,757**	**66,595**	**129,832**	**258**	**695,799**
Net Expenditure	**5,587**	**189,559**	**6,475**	**48,791**	**70,776**	**247**	**321,435**

Departmental Income and Expenditure 2009-10 Comparative Figures	Chief Executives	Children and Learning	Customer and Corporate Services	Environment and Regeneration	Housing and Community Living	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(2,849)	(22,925)	(43,376)	(36,292)	(74,174)	(179,616)
Government Grants	(667)	(172,863)	(84,742)	(1,790)	(7,135)	(267,197)
Total Income	**(3,516)**	**(195,788)**	**(128,118)**	**(38,082)**	**(81,309)**	**(446,813)**
Employee expenses	4,065	164,321	21,359	24,874	46,916	261,535
Other service expenses	2,525	76,666	94,174	49,400	91,924	314,689
Support service recharges	2,329	6,144	19,978	11,564	12,338	52,353
Total Expenditure	**8,919**	**247,131**	**135,511**	**85,838**	**151,178**	**628,577**

Departmental Income and Expenditure 2009-10 Comparative Figures	Chief Executives £000s	Children and Learning £000s	Customer and Corporate Services £000s	Environment and Regeneration £000s	Housing and Community Living £000s	Total £000s
Net Expenditure	5,403	51,343	7,393	47,756	69,869	181,764

Reconciliation of Departmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2009-10 £000s	2010-11 £000s
Net expenditure in the Departmental Analysis	182,007	321,435
Net expenditure of services and support services not including in the Analysis	-	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	34,635	81,062
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	2,028	57,767
Cost of Services in Comprehensive Income and Expenditure Statement	**218,668**	**460,264**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010-11	Departmental Analysis £000's	Amounts not reported to management for decision making £000's	Amounts not included in I&E £000's	Cost of Services £'000's	Corporate Amounts £000's	Total £000's
Fees, charges and other service income	(62,730)	(3,796)	(4,039)	(70,565)	(4,802)	**(75,367)**
Surplus or deficit on associates and joint ventures						
Interest and investment income	(8,858)		8788	(70)	(8,788)	**(8,858)**
Income from council tax					(62,190)	**(62,190)**
Government grants and contributions	(308,190)		15	(308,175)	(200,990)	**(509,165)**
Total Income	**(379,778)**	**(3,796)**	**4,764**	**(378,810)**	**(276,770)**	**(655,580)**
Employee expenses	240,130	(846)	(2)	239,282		**239,282**
Other service expenses	223,669	3,266	62,992	289,927	307	**290,234**
Support Service recharges	50,198	-	(365)	49,833		**49,833**
Depreciation, amortisation and impairment	178,231	82,438	(637)	260,032		**260,032**
Interest Payments	7,664		(7,664)		8,531	**8,531**
Precepts & Levies	112		(112)		112	**112**
Payments to Housing Capital Receipts Pool	1,209		(1,209)		1,209	**1,209**
Net Pensions Interest Cost					13,193	**13,193**
Gain or Loss on Disposal of Fixed Assets					(568)	**(568)**
Total Expenditure	**701,213**	**84,858**	**53,003**	**839,074**	**22,784**	**861,858**
Surplus or deficit on the provision of services	**321,435**	**81,062**	**57,767**	**460,264**	**(253,986)**	**206,278**

2009-10 comparative figures

	Departmental Analysis £000s	Amounts not reported to management for decision making £000s	Amounts not included in I&E £000s	Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges and other service income	(82,547)	1,810	4,380	(76,357)	-	**(76,357)**
Surplus or deficit on associates and joint ventures						
Interest and investment income	(218)	(152)	152	(218)	(9,394)	**(9,612)**
Income from council tax	-	-	-	-	(60,528)	**(60,528)**
Government grants and contributions	(295,853)	-	-	(295,853)	(155,843)	**(451,696)**
Total Income	**(378,618)**	**1,658**	**4,532**	**(372,428)**	**(225,765)**	**(598,193)**
Employee expenses	252,295	864	(11)	253,148	-	**253,148**
Other service expenses	236,775	8,486	(1,350)	243,911	(2,767)	**241,144**
Support Service recharges	52,461	-	(482)	51,979	-	**51,979**
Depreciation, amortisation and impairment	19,094	23,627	(662)	42,059	-	**42,059**
Interest Payments	-	-	-	-	6,068	**6,068**
Precepts & Levies	-	-	-	-	113	**113**
Payments to Housing Capital Receipts Pool	-	-	-	-	1,155	**1,155**
Net Pensions Interest Cost	-	-	-	-	13,879	**13,678**
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	(638)	**(638)**
Total Expenditure	**560,625**	**32,977**	**(2,505)**	**591,097**	**17,609**	**608,706**
Surplus or deficit on the provision of services	**182,007**	**34,635**	**2,027**	**218,669**	**(208,156)**	**10,513**

29. Acquired and Discontinued Operations

No operations have been acquired or discontinued during the year.

30. Trading Operations

The Council has established a number of trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the council or other organisations. Details of those units with a turnover of greater than £1 million in 2010-11 are as follows:

		2009-10		2010-11	
		£000s	£000s	£000s	£000s
The Council runs its property maintenance service on the basis of an agreement between the service manager and the Housing Landlord. The trading objective is to maximise the surplus.	Turnover	(13,069)		(10,666)	
	Expenditure	14,028		10,184	
	(Surplus) / Deficit		959		(482)
The Council has a portfolio of investment properties in various parts of the Borough which are let to businesses. The trading objective is to maximise the surplus.	Turnover	(4,096)		(4,805)	
	Expenditure	1,161		1,086	
	(Surplus) / Deficit		(2,935)		(3,719)
The Council runs insurance on a trading basis, procuring cover centrally and recharging including a management fee to service units and to schools. The trading objective is to break even.	Turnover	(2,228)		(2,025)	
	Expenditure	2,209		2,202	
	(Surplus) / Deficit		(19)		177
The Council operates a School Catering Service which trades with local schools. The trading objective is to at least break even, with any surplus being retained within the ring-fenced schools budgets.	Turnover	(6,891)		(7,181)	
	Expenditure	6,717		6,667	
	(Surplus) / Deficit		(174)		(514)

		2009-10 £000s	£000s	2010-11 £000s	£000s
The consolidated results of the other trading units are as follows	Turnover	(283)		(750)	
	Expenditure	668		735	
	(Surplus) / Deficit		385		(15)
Net surplus on trading operations			**(1,784)**		**(4,553)**

31. Agency Services

The Council does not act as an agent on behalf of any other local authority or public body.

32. Road Charging Schemes under the Transport Act 2000

The Council does not operate any road charging or workplace charging schemes under this legislation.

33. Pooled Budgets

Section 31 of the Health Act 1999 and the NHS Bodies and Local Authorities Partnership Arrangements Regulations 2000 enable establishment of joint working arrangements between NHS bodies and Local Authorities. Pooled funds enable health bodies and local authorities to work collaboratively to address specific local health issues.

In 2010-11 the council hosted three pooled budgets with NHS Luton; for the provision of equipment and adaptations for people with a disability, for the provision of children's respite services and for the provision of learning disabilities services. The council also hosted a pooled budget with South Essex Partnership University NHS Foundation Trust (SEPT) for the provision of learning disability services.

Details of the income and expenditure for each of the pooled budgets are as follows:

	2009-10 £000s	2009-10 £000s	2010-11 £000s	2010-11 £000s
Community Equipment Store				
Funding Provided to the Pool				
➢ The Council	(479)		(422)	
➢ NHS Luton	(479)		(422)	
		(958)		(884)
Expenditure		958		884
Net (surplus)/deficit arising on the pooled budget		**-**		**-**
Children's respite services				
Funding Provided to the Pool				
➢ The Council	(1,062)		(887)	
➢ NHS Luton	(397)		(397)	
		(1,459)		(1,284)
Expenditure		1,674		1,289
Net (surplus)/deficit arising on the pooled budget		**215**		**5**
Learning disability services				
Funding Provided to the Pool				
➢ The Council	(2,159)		(1,883)	
➢ NHS Luton	(2,771)		(1,967)	
		(4,930)		(3,850)
Expenditure		4,930		3,850
Net (surplus)/deficit arising on the pooled budget		**-**		**-**
Learning disability services				
Funding Provided to the Pool				
➢ The Council	(330)		(283)	
➢ SEPT	(175)		(188)	
		(505)		(471)
Expenditure		505		471
Net (surplus)/deficit arising on the pooled budget		**-**		**-**

In addition there is a pooled budget, hosted by South Essex Partnership University NHS Foundation Trust, for mental health services. The council's contribution to this budget in 2010-11 was £1.68 million (£1.68 million in 2009-10).

34. Members Allowances

The council paid the following amounts to members of the council during the year.

	2009-10 £000s	2010-11 £000s
Allowances	442	442
Expenses	3	4
Total	**445**	**446**

35. Officers Remuneration

The number of council employees (excluding the Senior Officers shown below) whose remuneration, excluding employer's pension contributions, was £50,000 or more is as follows:

	Number of Employees		
	2010-11		2009-10
Remuneration Band	Total	Retirements & Redundancies	Total
£50,000 to £54,999	66	5	62
£55,000 to £59,999	28	4	24
£60,000 to £64,999	18	1	18
£65,000 to £69,999	8	1	8
£70,000 to £74,999	4	-	4
£75,000 to £79,999	7	1	8
£80,000 to £84,999	10	1	7

Remuneration Band	Number of Employees 2010-11 Total	2010-11 Retirements & Redundancies	2009-10 Total
£85,000 to £89,999	3	3	4
£90,000 to £94,999	-	-	-
£95,000 to £99,999	-	-	2
£100,000 to £104,999	-	-	1
	144	16	138

The number of employees in the Council's Community Schools whose remuneration, excluding employer's pension contributions, was £50,000 or more is as follows:

Remuneration Band	2010-11 Total	2010-11 Retirements & Redundancies	2009-10 Total
£50,000 to £54,999	34	-	23
£55,000 to £59,999	26	-	26
£60,000 to £64,999	14	-	11
£65,000 to £69,999	10	-	8
£70,000 to £74,999	9	2	5
£75,000 to £79,999	3	-	3
£80,000 to £84,999	3	-	5
£85,000 to £89,999	3	-	1
£90,000 to £94,999	-	-	-
£95,000 to £99,999	2	1	1
	104	3	83

The following table sets out the remuneration disclosures for Senior Officers whose salary is £150,000 or more per year.

Post Holder information	2010-11 Salary (Including fees & allowances)	2010-11 Employers Pension Contributions	2010-11 Total Remuneration inc. Pension	2009-10 Total Remuneration inc. Pension
	£	£	£	£
Chief Executive – K Crompton	-	-	-	164,158
Chief Executive – M Robinson	37,145	-	37,145	14,725
Chief Executive – T Holden	128,923	15,707	144,630	-

- Mr K Crompton left the council on 28 February 2010, Mr M Robinson was with the council from 22 February 2010 to 25 June 2010 as the interim Chief Executive and Mr T Holden joined the council on 28 June 2010 as the permanent Chief Executive. Mr Crompton's payment for 2009-10 includes £6,574 for Returning Officer duties at the European Elections.

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year.

Post Holder information	2010-11 Salary (Including fees & allowances)	2010-11 Employers Pension Contributions	2010-11 Total Remuneration inc. Pension	2009-10 Total Remuneration inc. Pension
	£	£	£	£
Corporate Director Housing & Community Living (to 9 May 2010)	13,669	1,661	15,330	142,570
Interim Corporate Director Housing & Community Living (from 10 May 2010) (*)	108,027	13,315	121,342	-
Corporate Director Children & Learning (to 8 August 2010)	45,108	5,482	50,590	142,570
Interim Corporate Director Children & Learning (from 1 July 2010 to 19 September 2010) (*)	32,584	3,925	36,509	-

Post Holder information	Salary (Including fees & allowances)	2010-11 Employers Pension Contributions	Total Remuneration inc. Pension	2009-10 Total Remuneration inc. Pension
	£	£	£	£
Corporate Director Children & Learning (From 13 September 2010)	65,413	7,929	73,342	-
Corporate Director Environment & Regeneration (*)	127,232	15,448	142,680	142,570
Corporate Director Customer & Corporate Services (*)	127,232	15,448	142,680	142,544
Interim Assistant Chief Executive (from 12 April 2010)	108,063	9,073	117,136	-
Director of Scrutiny (to 31 December 2009 – post not replaced)	-	-	-	73,118
Head of Service Corporate Finance	82,452	9,595	92,047	91,932
Head of Service Local Democracy	78,125	9,157	87,282	81,799
Head of Service Planning, Policy & Performance (from 20 July 2009) (*)	78,787	8,617	87,404	58,531
Interim Head of Service Communications (from 1 January 2011)	17,781	-	17,781	-

- The payment for 2010-11 to the Head of Service Local Democracy includes £6,582 for Returning Officer duties for the General Election (£3,200 for 2009-10, for Deputy Returning Officer for the European Election).
- Posts marked with (*) include a payment of £110 for 2010-11 in respect of duties undertaken for the General Election.
- The payment for 2009-10 for the Director of Scrutiny includes £340 in respect of duties undertaken for the European Elections.

36. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections:

	2010-11 £000s	2009-10 £000s
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	300	287
Fees payable to Grant Thornton for the certification of grant claims and returns	44	58
	344	**345**
Fees payable to the Audit Commission in respect of statutory inspections	-	18
Total	**344**	**363**

37. Dedicated Schools Grant

The Council's expenditure on schools is funded by the Dedicated Schools Grant (DSG) from the Department for Education. The grant can only be applied to meet net expenditure properly included with the ring-fenced schools budget. The schools budget includes the Individual Schools Budget, which is divided into a budget for each school and a budget for a range of services provided on a council wide basis. The two elements are required to be accounted for on a separate basis.

Details of the use of the DSG paid to the Council in 2010-11 are as follows:

	Central Expenditure £000s	2010-11 Individual Schools Budgets £000s	Total £000s	2009-10 Total £000s
Original Grant Allocated to School Budget for the current year in Council Budget	14,367	128,629	142,996	136,270
Adjustment to finalised grant allocation	(261)	(1,478)	(1,739)	36
DSG receivable for year	**14,106**	**127,151**	**141,257**	**136,306**
Actual expenditure for year	(14,059)	(127,151)	(141,210)	(135,672)
(Over)/Underspend for the year	**47**	**-**	**47**	**634**
(Over)/Underspend for prior year	930	-	930	296
DSG (Over)/Underspend carried forward	**977**	**-**	**977**	**930**

38. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2010-11:

	2010-11 £000s	2009-10 £000s
Credited to Taxation and Non Specific Grant Income		
Redistributed Non Domestic Rates	78,496	70,501
Revenue Support Grant	11,398	16,273
Area Based Grant	14,116	11,306
Local Authority Business Growth Incentive Grant	-	744
Capital Grant	96,959	64,007
Total	**200,969**	**162,831**
Credited to Services		
Dedicated Schools Grant	141,257	136,306
School Standards Grant & Standards Fund	26,680	24,018

	2010-11 £000s	2009-10 £000s
Sure Start, Early Years and Childcare Grant	9,331	8,100
Housing Benefit and Council Tax Benefit Administration	1,866	1,998
Supporting People Grant	-	4,771
Learning and Skills Council Funding	3,300	2,892
Council Tax and Housing Benefit Subsidy	89,734	81,671
Other Grants	10,906	11,317
Total	**283,074**	**271,073**

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. The balances at the year-end are as follows:

	2010-11 £000s	2009-10 £000s
Capital Grants Receipts in Advance		
Grant s	26,468	20,351
Total	**26,468**	**20,351**

39. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from

government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions and in Note 38 on grant income.

Members
Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010-11 is shown in Note 34. During 2010-11 the council did not have any transactions with organisations that Members had a pecuniary interest in.

Officers
During 2010-11 the council did not have any transactions with organisations that Officers had a pecuniary interest in.

Other Public Bodies (subject to common control by Central Government)
Details of payments made to the Bedfordshire Pension Fund (Bedford Borough Council) for employer's superannuation contributions are shown in Note 47.

The Council has a number of pooled budget arrangements with NHS Luton and with South Essex Partnership University NHS Foundation Trust. Details of these arrangements are shown in Note 33.

Other Organisations
The Council paid £7.658m to 4 other organisations on which it has Member or Officer representation and which share educational, economic development, social and cultural objectives.

Entities Controlled or Significantly Influenced by the Council
Details of the Council's shareholdings and investments in London Luton Airport Limited are disclosed in the introduction to the Group Accounts.

40. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2010-11 £000s	2009-10 £000s
Opening Capital Financing Requirement	166,457	146,601
Capital investment		
Property, Plant and Equipment	121,698	77,009
Investment Properties	168	26
Revenue Expenditure Funded from Capital under Statute	8,322	22,155
Sources of finance		
Capital Receipts	(1,417)	(681)
Government Grants and Other Contributions	(99,035)	(61,671)
Sums set aside from revenue:		
Direct revenue contributions	(7,871)	(10,108)
MRP/loans fund principal	(7,521)	(6,874)
Closing Capital Financing Requirement	**180,801**	**166,457**
Explanation of movements in the year		
Increase in underlying need to borrow (supported by government financial assistance)	10,409	11,479
Increase in underlying need to borrow (unsupported by government financial assistance)	11,498	20,630

41. Leases

The Council as Lessee

Finance Leases

The Council has acquired a number of Vehicles, plant and equipment under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2011 £000s	31 March 2010 £000s
Other Land and Buildings	0	0
Vehicles, Plant, Furniture and Equipment	193	258
	193	**258**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2011 £000s	31 March 2010 £000s
Finance lease liabilities (net present value of minimum lease payments):		
➢ Current	49	147
➢ Non-current	31	80
Finance Costs payable in future years	8	18
Minimum lease payments	**88**	**245**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £000s	31 March 2010 £000s	31 March 2011 £000s	31 March 2010 £000s
Not later than one year	53	157	49	147
Later than one year and not later than five years	35	88	31	80
Later than five years	0	0	0	0
	88	245	80	227

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010-11 there are no contingent rents.

Operating Leases

The Council has acquired a number of items, mainly vehicles and plant, by entering into operating leases, with typical lives of 5 years.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2011 £000s	31 March 2010 £000s
Not later than one year	53	43
Later than one year and not later than five years	72	90
Later than five years	0	0
	125	133

The expenditure charged to services in the Comprehensive Income and expenditure Statement during the year in relation to these leases was:

	2010-11 £000s	2009-10 £000s
Minimum lease payments	53	43
Contingent rents	0	0
	53	**43**

The Council as Lessor

Finance Leases

The Council has not let out any of its assets on finance leases.

Operating Leases

The Council leases out property under operating leases for the following purposes:

- to generate investment income
- for the provision of community services
- for economic development purposes

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2011 £000s	31 March 2010 £000s
Not later than one year	2,975	3,206
Later than one year and not later than five years	9051	9,751
Later than five years	159415	155,887
	171,441	168,844

In addition to the above, the council rents out 39.5 acres land on President Way to its subsidiary London Luton Airport at annual rent of £1,779,155.

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010-11 there are no contingent rents.

42. Private Finance Initiatives and Similar Contracts

Building Schools for the Future PFI Scheme

There is a 25 year PFI contract for the construction, maintenance, and facilities management of Challney Girls School. The financial close for the project was achieved on 3 June 2009 and construction commenced almost immediately. The new school building was handed over to the Council on 31 December 2010. The school is one of the Council's Community Schools.

The contract specifies minimum standards for the services provided by the contractor to the school. The contractor took on the obligation to construct the school and maintain it in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the school. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for the costs incurred and future profits that would have been generated over the remaining term of the contract.

Property, Plant and Equipment
The assets used to provide services at the school are recognised on the Council's Balance Sheet. Details are given in note 13.

Payments
The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2011 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services £000s	Reimbursement of Capital Expenditure £000s	Interest £000s	Total £000s
Payable in 2011-12	1,255	310	2,116	3,681
Payable within two to five years	5,344	1,531	8,171	15,046
Payable within six to ten years	7,465	2,791	9,338	19,594
Payable within eleven to fifteen years	8,446	4,231	7,898	20,575
Payable within sixteen to twenty years	9,556	6,415	5,715	21,686
Payable within twenty-one to twenty-five years	10,241	9,114	2,406	21,761
Total	**42,307**	**24,392**	**35,644**	**102,343**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value for the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2010-11 £000s	2009-10 £000s
Balance outstanding at start of year	**24,825**	**-**
Payments during the year	179	-
Capital expenditure incurred in the year	(612)	-
Balance outstanding at year-end	**24,392**	**-**

43. Impairment Losses

Details of the impairment losses for Property, Plant and Equipment are giving at Note 13.

During 2010-11, the Council has recognised an impairment loss of £27.5million in relation to its Community Schools. The impairment loss has arisen following a change in valuation methodology from a method that looked to fully replicate the asset, to one that values the asset based on a modern equivalent.

An impairment loss of £57.1million has been recognised in relation to the Council's dwellings. This reflects a change in the adjustment factor for social housing provided by CLG.

44. Capitalisation of Borrowing Costs

The Council has not capitalised any borrowing costs during 2010-11.

45. Termination Benefits

The Council set its budget for the 2011-12 financial year on 16 February 2011. The decisions taken as part of the budget setting process have led or will lead to the termination of the contracts of employment for over 300 employees, as the Council restructures its services in line with the reduced budget resources available. This has incurred liabilities of £4.383 million in 2010-11 (£1.224 million of liabilities incurred in 2009-10).

46. Pensions Schemes accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010-11, the Council paid £8.49 million (£8.31 million 2009-10) to Teachers' Pensions in respect of teachers' retirement benefits, representing 12.87% (12.85% 2009-10) of pensionable pay. There were £1.058 million contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme. These costs are accounted for on a defined benefit bases and detailed in Note 47.

47. Defined Benefit Pension Schemes

Participation in Pension Schemes
As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the following:

- The Local Government Pension Scheme, administered locally by Bedford Borough Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post-employment Benefits
The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in reserves Statement during the year:

	Local Government Pension Scheme 2010-11 £000s	Local Government Pension Scheme 2009-10 £000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
➢ current service cost	17,320	8,728
➢ past service costs	(59,816)	-
➢ settlements and curtailments	297	9
Financing and Investment Income and Expenditure		
➢ Interest cost	33,716	27,481
➢ Expected return on scheme assets	(20,523)	(14,270)
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	(29,008)	21,949
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
➢ Actuarial gains and losses	120,907	(179,128)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	91,899	(157,179)
Movement in Reserves Statement		
➢ Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(13,302)	(5,804)
Actual amount charged against the General Fund Balance for pensions in the year:		
➢ Employers contributions payable to scheme	17,211	16,135

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £86.9 million.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities: Local Government Pension Scheme	
	2010-11 £000s	2009-10 £000s
Opening balance at 1 April	**(658,510)**	**(399,217)**
Current service cost	(17,320)	(8,728)
Interest cost	(33,716)	(27,481)
Contributions by scheme participants	(5,801)	(5,501)
Actuarial gains and losses	98,597	(233,718)
Benefits paid	20,708	15,031
Unfunded benefits paid	949	1,114
Past service costs	59,816	-
Entity combinations	-	-
Curtailments	(297)	(9)
Settlements	-	-
Closing balance at 31 March	**(535,572)**	**(658,510)**

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme	
	2010-11 £000s	2009-10 £000s
Opening balance at 1 April	**310,043**	**234,578**
Expected rate of return	20,523	14,270
Actuarial gains and losses	22,310	54,591
Employer contributions	17,211	16,135
Contributions in respect of unfunded benefits	949	1114
Contributions by scheme participants	5,801	5,501
Benefits paid	(20,708)	(15,031)
Unfunded benefits paid	(949)	(1,114)
Entity combinations	-	-
Settlements	-	-
Closing balance at 31 March	**355,180**	**310,043**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £23.6 million (2009-10 £68.9 million).

Scheme History

	2010-11 £000s	2009-10 £000s	2008-09 £000s	2007-08 £000s	2006-07 £000s
Present value of liabilities:					
Local Government Pension Scheme	(522,875)	(640,861)	(384,691)	(389,699)	(475,900)
Unfunded Benefits	(12,697)	(17,649)	(14,526)	(15,631)	(29,100)
	(535,572)	(658,510)	(399,217)	(405,330)	(505,000)
Fair value of assets in the Local Government Pension Scheme	**355,180**	**310,043**	**234,578**	**282,583**	**330,500**
Surplus/(deficit) in the scheme:	**(180,391)**	**(348,467)**	**(164,639)**	**(122,747)**	**(174,500)**
Local Government Pension Scheme	(167,695)	(330,817)	(150,113)	(107,116)	(145,400)
Unfunded Benefits	(12,697)	(17,649)	(14,526)	(15,631)	(29,100)
Total	**(180,391)**	**(348,467)**	**(164,639)**	**(122,747)**	**(174,500)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £535.6m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £16.833 million. Expected contributions for the Unfunded Benefits scheme in the year to 31 March 2012 are £0.837 million.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2010-11	2009-10
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.8%
Bonds	4.9%	5.0%
Property	5.5%	5.8%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
➢ Men	21.6	20.8
➢ Women	23.2	24.1
Longevity at 65 for future pensioners:		
➢ Men	23.6	22.3
➢ Women	25.6	25.7
Rate of inflation (2010-11 CPI)	2.8%	3.8%
Rate of increase in salaries	5.1%	5.3%
Rate of increase in pensions (2010-11 CPI)	2.8%	3.8%
Rate for discounting scheme liabilities	5.5%	5.5%

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2011 %	31 March 2010 %
Equity investments	54	58
Debt Instruments	23	22
Property	9	6
Cash	14	14
	100	**100**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010-11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2010-11 %	2009-10 %	2008-09 %	2007-08 %	2006-07 %
Differences between the expected and actual return on assets	6.3	17.6	(31.8)	(26.9)	0.7
Experience gains and losses on liabilities	4.3	(0.1)	0.1	14.2	(1.1)

48. Contingent Liabilities

At 31 March 2011, the Council had two material contingent liabilities:

The Council is and has been involved in a number of schemes either directly or indirectly where grants are received from external funding agencies, primarily the European Commission, Single Regeneration Budget (SRB) and the Lottery. Under the conditions of the grant offered there is a potential for these organisation to claw-back grants in the future if the use of the asset created is amended, but at present the Council is meeting the conditions of the grants.

The Council have received a number of claims, which have been lodged with the Employment Tribunal in respect of some specific historic pay arrangements. The Council is in the process of clarifying these matters with the Trade Unions and their solicitors. It is difficult to determine the Council's potential liability and no provision has been made.

49. Contingent Assets

The Council has no Contingent Assets.

50. Nature and Extent of Risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk
Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Council uses the creditworthiness service provided by it's Treasury advisers Sector, their model combines the ratings of all the three main agencies – Fitch, Moody's and Standard and Poors. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the council are detailed below:

Group	Rating	Exposure	Maximum Maturity
A	Combination scoring method – highest band (all at least AA with one agency)	£25.0m	24 Months
B	Combination scoring method – second band (all at least AA- with one agency)	£22.5m	364 Days

C	Combination scoring method – third band (all at least A+ with one agency)	£15.0m	6 Months
D	Combination scoring method – fourth band (all at least A- with one agency)	£11.5m	3 Months
E	UK Local Authorities	£15.0m	364 Days
F	AAA Rated Money Market Liquidity Funds	£22.5m	On call
F1	Part owned or supported under guarantee scheme by UK Government	£30.0m	none

Institutions in Groups A to D must all be in countries with a sovereign rating of AAA/AA+.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with parameters set by the relevant department of the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the Council's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for customers, such that £5.5 million of the £7 million balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2011 £000s	31 March 2010 £000s
Less than three months	2,972	1,862
Three to one year	968	1,229
More than one year	1,622	1,436
	5,562	4,527

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that not more than 15% of loans are due to mature within any one year through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

	31 March 2011 £000s	31 March 2010 £000s
Less than 1 year	12,020	1,639
Between 1 and 10 years	42,800	27,800
Between 10 and 20 years	13,382	13,382
Between 20 and 30 years	8,497	997
Between 30 and 40 years	-	-
Between 40 and 50 years	85,476	85,476
Between 50 and 60 years	20,000	10,000
Over 60 years	33,600	33,600
	215,775	**172,894**

There are a number of Lender Option Borrower Option Loans with maturities over 40 years, some of which have call dates within five years.

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be

	£000s
Increase in interest payable on variable rate borrowings	356
Increase in interest receivable on variable rate investments	452
Impact on Surplus or Deficit on the Provision of Services	808
Share of overall impact debited to the HRA	52
Decrease in fair value of fixed rate investment assets	827
Impact on Other Comprehensive Income and Expenditure	827
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure	1,660

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk
The Council does not generally invest in equity shares; it's only current share holding is in London Luton Airport Limited, where the Council owns 100% of the shares and the shares are not traded. More details regarding this shareholding can be found in Note 15. The Council is therefore not exposed to losses arising from movements in the prices of shares.

Foreign Exchange Risk
The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

51. Special Parking Area Account

The Council was designated a Special Parking Area from 1 January 1999 and is required under the Road Traffic Act 1984 and the Traffic Management Act 2004 to keep an account of income and expenditure relating to these responsibilities.

The aims of the scheme are to:

- ensure that the local road network is safe and free from congestion through the introduction of appropriate restrictions and enforcement
- reduce pollution and road congestion by encouraging commuters, through appropriate pricing, to switch from the use of private motor cars to walking, cycling and using public transport.
- improve the environment for residents by removing commuters from residential streets and by helping residents to park close to where they live.
- enhancing the commercial viability of the town centre by ensuring that shoppers are able to find a convenient place to park and by providing the maximum amount of space on street for car drivers making short term shopping trips
- providing adequate convenient parking spaces for disabled drivers.

The Special Parking Area Account is summarised as:

2010-11			2009-10
Gross Expenditure £000s	Income £000s	Net (Surplus)/Deficit £000s	Net (Surplus)/Deficit £000s
1,702	**(1,628)**	**74**	**(208)**

The deficit of £74,000 was incurred due to costs associated with the replacement of the Council's parking management system.

52. Publicity Expenditure

Section 5(1) of the Local Government Act 1986 requires the Council to report it's expenditure on publicity. During 2010-11 the expenditure was as follows:

	2010-11 £000s	2009-10 £000s
Recruitment advertising	491	649
Other advertising	181	255
Marketing and Public Relations Service	1,019	824
Promotional activities	378	545
Other publicity expenditure	10	10
	2,079	**2,283**

53. Building Control

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. The council sets charges for work carried out in relation to building regulations, with the aim of covering all costs incurred. However, certain activities performed by the Building Control Service cannot be charged for, such as providing general advice and liaising with other statutory authorities. The authority is required to fully recover its costs on chargeable activity over a three-year rolling period. Over the last three years, there is a cumulative surplus of £111,659, compared with a surplus of £100,851 for the three year period to 31 March 2010. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

	2010-11			2009-10
	Chargeable £000s	Non-Chargeable £000s	Total £000s	Total £000s
Employee Expenses	236	122	358	418
Transport	5	2	7	6
Supplies and Services	25	14	39	32
Central, Capital & Support Service Charges	96	36	132	153
Total Expenditure	**362**	**174**	**536**	**609**
Building regulation charges	(337)	-	(337)	(363)
Miscellaneous income	-	(8)	(8)	(8)
Total Income	**(337)**	**(8)**	**(345)**	**(371)**
(Surplus)/Deficit for year	**25**	**166**	**191**	**238**

Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents. The council charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement. The HRA Income and Expenditure Statement is consolidated into the Comprehensive Income and Expenditure Statement.

2009-10 £000s		2010-11 £000s	£000s
	Expenditure		
9,702	Repairs and maintenance	8,505	
7,229	Supervision and management	6,353	
3,529	Rents, rates, taxes and other charges	3,287	
5,291	Negative HRA Subsidy payable	4,991	
9,642	Depreciation and impairment of non-current assets	62,738	
33	Debt management costs	31	
169	Movement in the allowance for bad debts	208	
35,595	**Total Expenditure**		**86,113**
	Income		
(27,325)	Dwelling rents	(27,569)	
(918)	Non-dwelling rents	(839)	
	Charges for services and facilities		
(3,009)	Tenants	(3,198)	
(534)	Leaseholders	(629)	
(382)	Contributions towards expenditure	(397)	
(32,168)	**Total Income**		**(32,632)**
3,427	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**53,481**

2009-10 £000s		2010-11 £000s	£000s
291	HRA services' share of Corporate and Democratic Core		277
-	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		
3,718	**Net Cost for HRA Services**		**53,758**
	HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(591)	Gain or (loss) on salve of HRA non-current assets		(733)
863	Interest payable and similar charges		997
(152)	Interest and investment income		(73)
-	Pensions interest cost and expected return on pensions assets		-
3,838	**Surplus or (deficit) for the year on HRA services**		**53,949**

Movement on the HRA Statement

This statement takes the outturn on the HRA income and expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989. It is consolidated into the Movement in Reserves Statement.

2009-10 £000s		2010-11 £000s	£000s
2,444	**Balance on the HRA at the end of the previous year**		**1,213**
(3,838)	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	(53,949)	
2,607	Adjustments between accounting basis and funding basis under statute	56,063	
(1,231)	Net increase or (decrease) before transfers to or from reserves	2,114	
-	Transfers (to) or from reserves	-	
(1,231)	Increase or (decrease) in year on the HRA		2,114
1,213	**Balance on the HRA at the end of the current year**		**3,327**

Note to the Statement of Movement on the HRA Balance

2009-10 £000s		2010-11 £000s	£000s
	Adjustments between accounting basis and funding basis under statute		
90	Impairment of non-current assets	54,957	
(591)	Gain or loss on sale of HRA non-current assets	(733)	
(170)	HRA share of contributions to or from the Pensions Reserve	221	
(214)	Capital expenditure funded by the HRA	(179)	
67	Transfer from usable Capital Receipts Reserve	45	
250	Transfer to/from the Major Repairs Reserve	247	
3,175	Revenue Expenditure Funded from Capital under Statute	1,505	
2,607	**Total**		**56,063**

Notes to the Housing Revenue Account

1. Housing Stock

Number of Dwellings 31 March 2010		Number of Dwellings 31 March 2011
	Purpose Build Dwellings	
	Houses and Bungalows	
125	1 Bedroom	125
744	2 Bedrooms	743
2,747	3 Bedrooms	2,737
131	4 or more Bedrooms	131
	Flats	
2,448	1 Bedroom	2,410
1,637	2 Bedrooms	1,617
245	3 Bedrooms	244
120	**Acquired Dwellings**	120
8,197	**Total**	**8,124**

2. Asset Values

31 March 2010 £000s	Type of Asset	31 March 2011 £000s
378,339	Dwellings	320,309
5,651	Other Land and Buildings	5,638
238	Equipment	179
4,221	Investment Properties	4,748
388,450	**Total**	**330,874**
46.2	**Average Value of Dwellings**	**39.4**

3. Vacant Possession Values

The vacant possession value of dwellings as at 1 April 2010 is £822.5 million (£819.7 million as at 1 April 2009). The vacant possession value of a property is defined as an opinion of the best price at which the sale of the property would have been completed unconditionally for cash consideration on the date of the valuation. The difference between the vacant possession value and the balance sheet value shows the economic cost to the Government of providing council housing at less than open market value.

4. Major Repairs Reserve

Authorities are required by regulation to establish and maintain a Major Repairs Reserve. The main credit to the account comprises the total depreciation charge for all Housing Revenue Account assets. Capital spending on Housing Revenue Account assets is then funded from the reserve without being charged to the Housing Revenue Account.

An analysis of the movement on the Major Repairs Reserve is as follows:

2009-10 £000s		2010-11 £000s
210	**Balance as at 1 April**	**210**
	Transfer to MRR during the financial year	
6,126	Depreciation on HRA dwellings	6,030
250	Depreciation on other HRA Assets	247
	Transfer to HRA during the financial year	
(250)	Depreciation on other HRA assets	(247)
(6,126)	Transfer from MRR during the financial year in respect of capital expenditure	(5,966)
210	**Balance as at 31 March**	**274**

5. Capital Expenditure

2009-10 £000s		2010-11 £000s
9,377	**Capital Expenditure**	**7,722**
	Funded from:	
1,495	Capital Reserve	-
6,126	Major Repairs Reserve	5,966
1,756	Supported borrowing	1,756
9,377		**7,722**

6. Capital Receipts

The following capital receipts were received:

2009-10 £000s		2010-11 £000s
1,471	Sale of Council Houses *(receipts less administrative expenses)*	1,462
50	Shared Ownership – sale of additional shares	-
11	Recovered Discount	45
58	Mortgage Receipts	37
4	Disposal of other interest in land	109
1,594	**HRA Receipts in Year**	**1,653**
(1,155)	Less: Statutory Pooling	(1,208)
439		**445**

7. Depreciation

The total charges for depreciation for the land, houses and other property within the HRA were as follows:

2009-10 £000s		2010-11 £000s
	Operational Assets	
6,144	Dwellings	6,235
166	Other Land and Buildings	170
67	Vehicles, Plant and Equipment	60
6,377		**6,465**

8. Impairment

Significant impairment has been charged to the HRA in the 2010-11 financial year, reflecting a further drop in property values throughout the economy. No asset has been impaired due to economic consumption. In addition, capital expenditure, which did not add value to the housing stock is also recorded as impairment. Details are as follows:

2009-10 £000s		2010-11 £000s
	Operational Assets – Impairment	
-	Dwellings	57,091
90	Other Land and Buildings	17
	Operational Assets – Non-enhancing capital expenditure	
3,175	Dwellings	1,505
3,265		**58,613**

9. Government Subsidy

The HRA Subsidy system is designed by government to capture housing surpluses from those authorities that have assumed revenues from their council housing that exceed their assumed costs (surplus authorities) and provide housing subsidy to those authorities that are assumed to need it to run their council housing. The Council falls into the first category and pays "negative subsidy" to central government. The payment was calculated as follows:

2009-10 £000s		2010-11 £000s
(4,938)	Management	(5,093)
(9,508)	Maintenance	(9,996)
(6,126)	Major Repairs	(6,218)
(1,670)	Charges for Capital	(1,999)
27,518	Rent Receivable	28,282
15	Interest on Receipts	4
5,291		**4,980**

10. Pensions Reserve

The transfer to the Pensions Reserve in respect of the Housing Revenue Account is £0.221 million. Details of the background to and reasons for this adjustment may be found in note 47 to the Core Financial Statements.

11. Rent and Arrears

With effect from April 2003, rents of dwellings were calculated in accordance with Government guidelines on Rent Restructuring. "Formula Rents" are based partly on the relative capital value of the property, partly on average manual earnings in the surrounding area and partly on the number of bedrooms. In 2010-11 charges increased by an average of 1.95%.

Type of Dwelling	Weekly Rents (50 week year)		
	Lowest £	Highest £	Typical £
Purpose Build Dwelling			
Houses and Bungalows			
1 Bedroom	42.14	78.90	63.40
2 Bedrooms	57.88	90.10	70.21
3 Bedrooms	61.88	100.76	83.24
4 or more Bedrooms	74.15	101.10	89.33
Flats			
1 Bedroom	31.75	70.71	56.16
2 Bedrooms	41.62	79.63	67.59
3 Bedrooms	46.3	82.26	74.30

Rent arrears at 31 March 2011 were £2.079 million (£2.164 million at 31 March 2010), against which a provision for bad debt of £1.831 million (£1.651 million at 31 March 2010) has been made.

The Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2009-10 £000s		2010-11 £000s	£000s
	Income		
(61,716)	Income from Council Tax		(62,023)
	Transfers from the General Fund		
(14,282)	Council Tax benefits		(15,050)
(65,942)	Income collectable from business ratepayers		(59,944)
	Contributions towards previous year's Collection Fund deficit		
(623)	Luton Borough Council	(1,423)	
(78)	Bedfordshire Police Authority	(178)	
(46)	Bedfordshire and Luton Combined Fire Authority	(104)	(1,705)
(142,687)	**Total Income**		**(138,722)**
	Expenditure		
	Precepts and Demands		
61,963	Luton Borough Council	63,166	
7,762	Bedfordshire Police Authority	7,994	
4,508	Bedfordshire and Luton Combined Fire Authority	4,552	75,712
	Business Rate		
65,677	Payment to national pool	59,681	
265	Costs of collection	263	59,944
	Bad and doubtful debts		
1,361	Write-offs	442	
2,124	Provisions	2,089	2,531
143,660	**Total Expenditure**		**138,187**

2009-10 £000s		2010-11 £000s	£000s
	Movement on fund balance		
973	Deficit/(Surplus) for year		(535)
1,344	Deficit brought forward		2,317
2,317	**Deficit carried forward**		**1,782**

1. Income from Business Rates

There is a national system for Business rates, also known as Non-domestic rates. The Council is a billing authority and collects from local businesses an amount equal to the rateable value of their property, multiplied by the uniform rate set nationally by government.

The money due to be collected is paid into a national pool, after certain allowable deductions are taken into account, including the provision for non-payment and the granting of reductions for the relief of charities. In return the Council receives a contribution from the pool based on its assessed need.

The total non-domestic rateable value at 31 March 2010 was £173.2 million (£157.6 million at 31 March 2010). The rating multiplier set by central government was 41.4p per £ (48.5p per £ in 2009-10).

2. Income from Council Tax

The Council's tax base for 2010-11 was 55,220. This is the number of chargeable dwellings in each of the valuation bands adjusted for discounts and non-collection and converted into an equivalent number of band D properties.

Full details are as follows:

Band	Value at April 1991 £	Number of dwellings October 2009	Proportion of Tax 9ths	Band D equivalent	Council Tax £
A	Under 40,000 (entitled to disabled relief)	15	5	6.9	761.72
A	Under 40,000	16,079	6	8,561.7	914.07
B	40,000 – 52,000	25,943	7	17,725.6	1,066.42

Band	Value at April 1991 £	Number of dwellings October 2009	Proportion of Tax 9ths	Band D equivalent	Council Tax £
C	52,000 – 68,000	21,946	8	17,437.3	1,218.76
D	68,000 – 88,000	7,570	9	6,955.3	1,371.10
E	88,000 – 120,000	3,394	11	3,909.9	1,675.80
F	120,000 – 160,000	1,045	13	1,427.8	1,980.50
G	160,000 – 320,000	225	15	395	2,285.18
H	Over 320,000	28	18	33	2,742.22

Tax base for Revenue Support Grant purposes	56,452.5
Tax base for setting Council Tax	55,220

(assumes 97.5% collection rate and increase of 184 properties in year)

3. Precepts and Demands on the Collection Fund

The following precepts and demands were made on the Collection Fund:

2009-10 £000s		2010-11 £000s
61,963	Luton Borough Council	63,166
7,762	Bedfordshire Police Authority	7,994
4,508	Bedfordshire and Luton Combined Fire Authority	4,552
74,233		**75,712**

4. Collection Fund Deficit

At the time of setting the 2011-12 budget, there was an estimated deficit of £1,727,147 (2010-11 deficit of £1,705,000 and 2009-10 deficit of £747,000) on the Collection Fund. This was apportioned between those making precepts and demands on the Collection Fund as follows:

	2011-12 £000s	2010-11 £000s	2009-10 £000s
Luton Borough Council	1,441	1,423	623
Bedfordshire Police Authority	182	178	78
Bedfordshire and Luton Combined Fire Authority	104	104	46
	1,727	1,705	747

The actual deficit at 31 March 2011 has been apportioned between those making precepts and demands on the Collection Fund as follows:

	31 March 2011 £000s	31 March 2010 £000s
Luton Borough Council	1,486	1,934
Bedfordshire Police Authority	188	243
Bedfordshire and Luton Combined Fire Authority	107	140
	1,781	2,317

Introduction

The Council is involved with a number of companies whose assets and liabilities are not included in the Council's single entity statements. Most of these companies are small simple investments and the Council's interest does not extend to a relationship that could be classified as a subsidiary, associate or joint venture. None of these companies are included in the group accounts.

London Luton Airport Limited
This company is a full subsidiary of the Council and the Group Accounts consist of the consolidation of its financial statements with those of the Council's.

The principal activity of the company is the ownership of airport facilities. In 1998-99 the company entered into a thirty-year concession with London Luton Airport Operations Limited to operate the airport. The Council holds 44,836,999 ordinary £1 shares, equivalent to 100% of the company's share capital and also held debentures totalling £16,921,095 at 31 March 2011. At the year ended 31 March 2011, the company had net assets of £316.201 million (£315.931 million at 31 March 2010). The profit before tax was £6.949 million and after tax was £5.055 million (profit before tax £7.718 million and after tax £5.769 million for 2009-10). A dividend of £5.0 million has been declared in 2010-11 and is due to be paid in 2011-12. Debenture interest of £1.261 million was payable by the company to the Council during 2010-11.

Basis of Consolidation
The Group only includes the one subsidiary and no joint ventures or associates.

Subsidiaries are entities that are controlled by the Council. In the Council's financial statements, the investment in the subsidiary is carried at cost. In the Group financial statements, the subsidiary is accounted for using the purchase method where assets, liabilities, revenue and expenditure is added in on a line-by-line basis.

All significant transactions between Group entities are eliminated on consolidation.

Group Movement in Reserves Statement

	Single Entity Usable Reserves £000s	Subsidiary Profit and Loss Account £000s	Unusable Reserves £000s	Total Group Reserves £000s
Balance at 31 March 2009	**57,716**	**9,157**	**848,402**	**915,275**
Movement in Reserves during 2009-10				
Surplus or (deficit) on the provision of services	**(10,512)**	(59)	-	**(10,571)**
Other Comprehensive Income and Expenditure	**-**	-	(171,400)	**(171,400)**
Total Comprehensive Income and Expenditure	**(10,512)**	**(59)**	**(171,400)**	**(181,971)**
Adjustment between accounting basis & funding basis under regulations (Note 7)	**(281)**	-	281	**-**
Net Increase/Decrease before transfers to Earmarked Reserves	**(10,793)**	**(59)**	**(171,119)**	**(181,971)**
Transfers to/from Earmarked Reserves (Note 8)	**-**	-	-	**-**
Increase/Decrease in 2009-10	**(10,793)**	**(59)**	**(171,119)**	**(181,971)**

	Single Entity Usable Reserves £000s	Subsidiary Profit and Loss Account £000s	Unusable Reserves £000s	Total Council Reserves £000s
Balance at 31 March 2010 carried forward	**46,923**	**9,098**	**677,283**	**733,304**
Movement in Reserves during 2010-11				
Surplus or (deficit) on the provision of services	**(206,278)**	270	-	**(206,008)**
Other Comprehensive Income and Expenditure	**-**	-	265,214	**265,214**
Total Comprehensive Income and Expenditure	**(206,278)**	**270**	**265,214**	**59,206**
Adjustment between accounting basis & funding basis under regulations (Note 7)	**220,875**	-	(220,875)	**-**
Net Increase/Decrease before transfers to Earmarked Reserves	**14,597**	**270**	**44,339**	**59,206**
Transfers to/from Earmarked Reserves (Note 8)	**-**	-	-	**-**
Increase/Decrease in 2010-11	**14,597**	**270**	**44,339**	**59,206**
Balance at 31 March 2011 carried forward	**61,520**	**9,368**	**721,622**	**792,510**

Group Comprehensive Income and Expenditure Statement

2009-10 Gross Expenditure £000s	2009-10 Gross Income £000s	2009-10 Net Expenditure £000s		2010-11 Gross Expenditure £000s	2010-11 Gross Income £000s	2010-11 Net Expenditure £000s
3,385	(1,584)	1,801	Central services to the public	2,983	(1,401)	1,582
67,747	(14,328)	53,419	Cultural, environmental, regulatory and planning services	57,295	(13,310)	43,985
264,113	(195,475)	68,638	Education and children's services	470,236	(203,372)	266,864
22,809	(4,702)	18,107	Highways and transport services	23,640	(6,110)	17,530
38,030	(34,321)	3,709	Local authority housing (HRA)	86,390	(32,632)	53,758
103,499	(96,403)	7,096	Other housing services	109,934	(98,767)	11,167
81,857	(25,224)	56,633	Adult social care	75,117	(22,862)	52,255
6,736	(392)	6,344	Corporate and democratic core	7,641	(355)	7,286
2,923	-	2,923	Non distributed costs	5,837	-	5,837
591,099	**(372,429)**	**218,670**	**Cost of Services**	**839,073**	**(378,809)**	**460,264**
		630	Other operating expenditure (Note 9)			753
		5,366	Financing and investment income and expenditure (Note 10)			6,492
		(216,371)	Taxation and non-specific grant income (Note11)			(263,180)
		8,295	**(Surplus) or Deficit on Provision of Services**			**204,329**
		1,949	Tax Expenses of Subsidiary			1,894
		10,244	**Group (Surplus) or Deficit**			**206,223**
		(7,792)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(83,837)

2009-10 Gross Expenditure £000s	2009-10 Gross Income £000s	2009-10 Net Expenditure £000s		2010-11 Gross Expenditure £000s	2010-11 Gross Income £000s	2010-11 Net Expenditure £000s
		179,519	Actuarial gains/losses on pension assets/liabilities			(181,592)
		171,727	**Other Comprehensive Income and Expenditure**			**(265,429)**
		181,971	**Total Comprehensive Income and Expenditure**			**(59,206)**

Group Balance Sheet

1 April 2009 £000s	31 March 2010 £000s		Notes	31 March 2011 £000s
784,269	840,509	Property, Plant & Equipment	12	769,668
407,926	393,589	Investment Property	13	381,535
39,975	30,307	Long Term Investments	15	13,666
1,608	1,289	Long Term Debtors	15	1,033
1,233,778	**1,265,694**	**Long Term Assets**		**1,165,902**
26,578	21,579	Short Term Investments	15	34,126
-	1,300	Assets Held for Sale	20	1,200
236	282	Inventories	16	203
38,069	48,746	Short Term Debtors	18	42,147
25,223	30,591	Cash and Cash Equivalents	19	84,808
90,106	**102,498**	**Current Assets**		**162,484**
(8,279)	(5,098)	Cash and Cash Equivalents (Bank Overdraft)	19	(1,118)
(1,401)	(1,639)	Short Term Borrowing	15	(12,020)
(64,433)	(101,230)	Short Term Creditors	21	(102,752)
(3,248)	(4,103)	Provisions	22	(9,288)
(77,361)	**(112,070)**	**Current Liabilities**		**(125,178)**

1 April 2009 £000s	31 March 2010 £000s		Notes	31 March 2011 £000s
(788)	-	Provisions	22	-
(162,679)	(171,255)	Long Term Borrowing	15	(203,755)
(167,781)	(351,563)	Other Long Term Liabilities	15	(206,943)
(331,248)	**(522,818)**	**Long Term Liabilities**		**(410,698)**
915,275	**733,304**	**Net Assets**		**792,510**
7,239	6,803	General Fund		4,530
2,444	1,213	Housing Revenue Account		3,328
9,157	9,098	Profit and Loss		9,368
48,033	38,908	Earmarked Reserves	23	53,662
66,873	**56,022**	**Usable Reserves**		**70,888**
848,402	677,282	Unusable Reserves	24	721,622
915,275	**733,304**	**Total Reserves**		**792,510**

Group Cash Flow Statement

2009-10 £000s		2010-11 £000s
8,295	Net (surplus) or deficit on the provision of services	204,329
(47,281)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(346,021)
11,547	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	6,069
(27,439)	Net cash flows from Operating Activities (Note 25)	(135,623)
60,690	Investing Activities (Note 26)	109,913
(41,800)	Financing Activities (Note 27)	(32,487)
(8,549)	Net increase or decrease in cash and cash equivalents	(53,099)
(16,944)	Cash and cash equivalents at the beginning of the reporting period	(25,493)
(25,493)	**Cash and cash equivalents at the end of the reporting period (Note 19)**	**(83,690)**

Notes to the Group Accounts

The notes presented here are only those that are different for the Group. Readers of the accounts should refer to the single entity statements for all other notes. The numbering is the same as the single entity statements.

1. Accounting Policies

The accounts of London Luton Airport Limited have not been prepared under International Financial Reporting Standards; however the figures are easily convertible to an IFRS basis. The main adjustment involves reclassifying the short-term investments to cash equivalent as all investments held were for less than three months.

All other accounting policies are broadly computable with the notable exception of Investment Properties. London Luton Airport Limited has a policy of revaluing Investment Property once every five years, whilst Luton Borough Council undertakes valuations of its Investment Properties on an annual basis. Due to the expense involved in valuing the substantial Investment Property held by London Luton Airport Limited, a valuation has not been undertaken for the consolidation. The Investment Property was last revalued at 31 March 2009.

10. Financing and Investment Income and Expenditure

2009/10 £000s		2010-11 £000s
6,068	Interest payable and similar charges	7,593
13,678	Pensions interest cost and expected return on pensions assets	13,193
(3,894)	Interest receivable and similar income	(3,788)
(10,653)	Income and expenditure in relation to investment properties and changes in their fair value	(10,668)
167	Other investment activity	162
5,366	**Total**	**6,492**

13. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2010-11 £000s	2009-10 £000s
Rental income from investment property	25,245	24,440
Direct operating expenses arising from investment property	(1,792)	(1,377)
Impairment Losses	(637)	(657)
Gift Aid Payments	(10,912)	(10,477)
Net gain/(loss)	11,904	11,929

The value of the investment property in London Luton Airport Limited accounts is £335 million, there was no movement on this valuation in the year.

18. Debtors

The outstanding debtors at 31 March 2011 comprised the following:

	31 March 2011 £000s	£000s	31 March 2010 £000s	£000s
Central Government Bodies		20,138		24,033
Other Local Authorities				
General	986		1,897	
Collection Fund Preceptors	1,090	2,076	1,228	3,125
NHS Bodies		1,581		2,587
Other entities and individuals				
General	10,712		10,793	

	31 March 2011 £000s	£000s	31 March 2010 £000s	£000s
Provision for Doubtful Debts	(879)	9,833	(835)	9,958
Council Tax Payers	17,518		16,263	
Provision for Doubtful Debts	(13,325)	4,193	(11,742)	4,521
Tenants (HRA & Temporary)	7,652		7,403	
Provision for Doubtful Debts	(6,904)	748	(6,626)	777
Housing Benefits Overpayments	4,789		4,595	
Provision for Doubtful Debts	(4,240)	549	(3,981)	614
Payments in Advance		3,029		3,131
Total		**42,147**		**48,746**

19. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2010 £000s		31 March 2011 £000s
1,607	Cash held by the Group	1,712
(5,098)	Bank current accounts	(1,118)
28,210	Short-term deposits with banks	57,190
774	Money Market Funds	25,906
25,493	**Total Cash and Cash Equivalents**	**83,690**

21. Creditors

	31 March 2011 £000s	31 March 2010 £000s
Central Government Bodies:		
Amounts owed	(13,375)	(9,070)
Capital Grants received in advance	(39,567)	(33,395)
Other amounts received in advance	(5,441)	(7,757)
Other Local Authorities:		
Amounts owed	(3,483)	(4,265)
Amounts received in advance	(348)	(313)
NHS Bodies:		
Amounts owed	(364)	(613)
Amounts received in advance	(842)	(417)
Other Entities and individuals:		
Amounts owed	(31,633)	(38,579)
Amounts received in advance from Council Taxpayers	(2,476)	(2,347)
Amounts received in advance from Housing Tenants	(1,145)	(544)
Amounts received in advance from Developers	(2,456)	(2,272)
Other amounts received in advance	(1,622)	(1,658)
Total	**(102,752)**	**(101,230)**

24. Unusable Reserves

31 March 2010 £000s		31 March 2011 £000s
127,497	Revaluation Reserve	209,494
905,361	Capital Adjustment Account	698,162
(1,522)	Financial Instruments Adjustment Account	(1,392)
344	Deferred Capital Receipts Reserve	278
(348,467)	Pensions Reserve	(180,391)
(1,933)	Collection Fund Adjustment Reserve	(1,486)
(3,998)	Accumulated Absences Account	(3,043)
677,282	**Total Unusable Reserves**	**721,622**

25. Cash Flow Statement – Operating Activities

The cash flow for operating activities include the following items:

2009-10 £000s		2010-11 £000s
(2,933)	Interest received	(8,589)
6,145	Interest paid	7,466
-	Dividends received	-

26. Cash Flow Statement – Investing Activities

2009-10 £000s		2010-11 £000s
69,601	Purchase of property, plant and equipment	58,361
43,221	Other capital payments	75,018
5,000	Purchase of short-term and long-term investments	19,919
-	Other payments for investing activities	-
(1,836)	Proceeds from the sale of property, plant and equipment and investment property	(2,545)
(14,668)	Proceeds from short-term and long-term investments	
(40,6278)	Other receipts from investing activities	(40,840)
60,690	**Net cash flows from investing activities**	**109,913**

27. Cash Flow Statement – Financing Activities

2009-10 £000s		2010-11 £000s
(41,800)	Cash receipts of short-term and long-term borrowing	(42,421)
-	Other receipts from financing activities	-
-	Cash payments	9,934
-	Proceeds from short-term and long-term investments	-
-	Other receipts from investing activities	-
(41,800)	**Net cash flows from investing activities**	**(32,487)**

36. External Audit Costs

The Group has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections:

	2010-11 £000s	2009-10 £000s
Fees payable to PricewaterhouseCoopers with regard to external audit services & taxation services carried out by the Independent Auditor	33	39
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor and the certification of grant claims and returns	344	345
Fees payable to the Audit Commission in respect of statutory inspections	-	18
Total	**377**	**402**

41. Leases

All other information regarding leases is unaltered from the single entity statements

The Group as Lessor

Operating Leases

In addition to the information in the Single Entity Statements London Luton Airport Limited has entered into a concession contract in August 1998 with an unrelated entity, London Luton Airport Operations Limited (LLAOL). Under the terms of the contract LLAOL has been granted a concession to operate the airport for a period of 30 years and an operating lease over the land and buildings owned by the company. LLAOL pay an annual concession fee to the company.

47. Defined Benefit Pension Schemes

London Luton Airport Limited is a separate admitted body of the Bedfordshire Pension Scheme. Full details of the Company's pension scheme are available in the separate accounts. The Company no longer has any employees and its pension liabilities are in respect of former employees.

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration for those affairs. In this authority, that officer is the Head of Corporate Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Council's constitution states that the Audit and Governance Committee has the duty to approve the Council's statement of accounts. The Accounts and Audit Regulations 2003 introduced a requirement for the member chairing the meeting at which approval is given to sign the accounts. This formally represents the completion of the Council's approval process of the accounts.

Signed on behalf of the Authority

Councillor M Farooq **Dated:**

The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the authority's statement of accounts, in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this statement of accounts, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the local authority SORP.

The Head of Finance has also:

- kept proper accounting records which were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Signed



David Kempson MA (Oxon), CPFA

Head of Finance **Dated:** 30th June 2011

1. SCOPE OF RESPONSIBILITIES

1.1 Luton Borough Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility the Council places reliance on the Chief Executive to support the governance and risk management processes. The Council has approved and adopted a code of corporate governance, which is available on our website at:

http://agendas.luton.gov.uk/cmiswebpublic/Binary.ashx?Document=12773

or can be obtained from the Council's offices at the following address:
Town Hall, Luton, LU1 2BQ.

1.3 This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2003 (as amended) in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 The governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, to manage them effectively, efficiently and economically.

2.3 The governance framework has been in place at the Council for the year ended 31 March 2011 and up to the date of approval of the annual report and statement of accounts.

3. THE GOVERNANCE FRAMEWORK – OUTLINE

3.1 This section describes the key elements of the systems and processes that comprise the governance arrangements that have been put in place for the Council and how they are linked to each other.

A. Creating and Communicating the Council's vision

3.2 This section describes how the Council's vision for its purpose and the intended outcomes for citizens and service users are identified and communicated.

3.3 The Council's vision is set out in our Sustainable Community Strategy (SCS). The Luton Forum, made up of a partnership between the statutory and mainstream agencies, the voluntary and community sector and business representatives, formulated this strategy. The strategy is a long term one and paints a picture of what Luton should be like when someone born in 2008 reaches adulthood (2026).

3.4 The Sustainable Community Strategy belongs to residents, partners and providers. It gives a direction of travel and sat above the Local Area Agreement (LAA). Up until April 2011 the LAA itself focused on improving the outcomes for local people with four overarching themes against which the public and local communities can test success and determine the added value.

3.5 The LAA was an agreement between the Government and a range of local partners: Luton Borough Council and the PCT, Fire & Rescue, Police, Learning & Skills Council, Voluntary Action Luton, Luton Assembly, the Chamber.

3.6 The LAA was due to run from 2008-09 to 2010-11. It was abolished by the Government part way through the year, in October 2010. The Luton Forum decided to retain the elements of the LAA that were relevant and useful to the town until new arrangements were put in place. It will be considering proposals for its own role and focus over the next three years at its Annual General Meeting in June 2011. The proposal is that the Luton Forum focuses on narrowing the gap. The 32 SCS priorities have been narrowed to less than ten specific areas around inequality which, if agreed, would define the Forum's purpose and mission between now and 2014.

3.7 The Council's own corporate plan (CP) for the years 2009-10 to 2011-12 is derived from the Sustainable Community Strategy and sets out what the Council will do to deliver the improvements agreed in the LAA and how it will remain a financially sound and efficient council while doing so. The Council is currently reviewing its corporate plan following the abolition of the LAA and a new plan will be presented to Full Council on 19 July 2011.

3.8 The vision is communicated through the Council's newsletter, Lutonline, through its plans, management briefings, posters and information on the Internet. There is also communication to staff via newsletters and the intranet.

B. Reviewing the Council's vision

3.9 The SCS and Corporate Plan are monitored through quarterly performance and finance reports to theme boards, by a Performance Management Sub-Group (PMSG) of the Local Public Service Board (LPSB), the Council's corporate directors and the Executive. Each of the four themes has a performance manager responsible for monitoring local priority and business critical indicators against agreed annual targets. All responsible officers and partner organisations are responsible for producing robust action plans, which are monitored; performance risk assessments are produced where required and data quality checks undertaken. These arrangements are currently being reviewed alongside the re-focussing of the Luton Forum and a review of its structure. The Council has defined a new mission and values as part of its new Corporate Plan and Transformation Strategy, which will be delivered through eight strategic priorities. Progress will be driven through new accountability and delivery meetings.

C. Ensuring Delivery of Services and the Best Use of Resources

3.10 This section explains how the quality of services is measured and how the Council ensures that they are delivered in accordance with its objectives. Further it explains how it is ensured that the services represent the best use of resources.

3.11 Service delivery, and the measurement of quality of services, is linked to the Council's objectives through its planning processes. The Corporate Plan objectives are derived from the Sustainable Community Strategy and the Council's medium term planning framework. Departmental Plans are produced setting out how each department will contribute, and work with others, to achieve those objectives. Specific service targets are set in line with the objectives. Service, team and project and delivery plans are also prepared to align with this framework. Objectives for individuals are then linked with those team plans through the Personal Performance Appraisals, to ensure consistency of service aims and delivery in line with objectives.

3.12 The measurement of quality of services is linked through the same process, with team and service performance indicators and targets being set to reflect their expected contributions to meeting corporate targets. The most important performance measures corporately are determined by the Council's Corporate Leadership Management Team, and reported to Executive on a quarterly basis. In addition, there are a series of indicators mandated by the Government for national assessment of the quality and delivery of key local government services, particularly in relation to children's services and adult social care. These are measured and the assessment externally verified as part of the audit process.

3.13 The Council's risk management process is key to ensuring the effective delivery of service. Consideration of risk in order to develop plans including effective risk mitigation measures is designed to enable the Council to deliver effectively, by planning for risks before they

happen. It is also designed to enable the Council to take effective advantage of opportunities in a planned and structured way, by ensuring that opportunities that link directly with the Council's overall objectives are the ones that are pursued.

3.14 The budget and medium term planning process is directly linked to the delivery of services in line with objectives. Proposals for variations to the budget are assessed in terms of their potential impact, and prioritized accordingly.

3.15 The Council's use of resources has until now been externally assessed each year, by the Council's external auditors, in line with national criteria set by the Audit Commission. This practice was abolished by the Government during 2010. However the auditors had completed their work, and so reported on areas for development, without reporting scores. In November 2010 the auditors stated that the headline findings were:

- Managing finances is an area of strength for the council in regard to financial planning and understanding costs.
- Governing the business is an area where the Council demonstrated satisfactory performance.
- Managing resources was also assessed as satisfactory.

D. Roles and Responsibilities

3.16 This Section explains the definition and documentation of the roles and responsibilities of members and officers of the Council. Further it sets out the nature of the delegation arrangements and protocols for effective communication and arrangements for challenging and scrutinising the Council's activities.

3.17 The Council's Constitution sets out the Council's key functions and who is responsible for them. Part 3 of the Constitution – 'Responsibility for Functions' sets out the responsibilities for each Council committee.

3.18 The scheme of delegation to officers is set out in Parts 6 and 7 of the Constitution.

3.19 Part 2 of the Constitution also sets out the Council's management structure, and the specific functions of three statutory posts that are an important part of the Council's governance – the Head of Paid Service (the Chief Executive), the Monitoring Officer (the Head of Legal Services) and the Chief Finance Officer (the Head of Corporate Finance).

3.20 The Constitution also includes Standing Orders and Financial Regulations, which define how the Council conducts its business in a consistent and appropriate manner.

E. Standards of Conduct

3.21 The Council's Constitution includes codes of conduct for both members and officers. The member code contains the mandatory provisions of the model code of conduct issued by the Secretary of State. It contains no additional local provisions but this is in line with the recommendation of Standards for England.

3.25 The Council has a Standards Committee, half of the members of which are independent members, i.e. persons who are not elected members but who are co-opted to serve on the Committee and who have the right to vote. The Chair of the Standards Committee is an independent member (this is now a legal requirement) as is the Vice Chair. The Standards Committee is responsible for the promotion of high standards of conduct amongst members. Members are subject to a statutory complaints process arising from the Local Government Act 2000 (as amended) and Regulations made under that Act. Complaints against members are initially dealt with locally by a Local Assessment Panel (a sub-committee of the Standards Committee) with only the more serious complaints being referred to Standards for England for investigation. During the year 3 cases were considered by Local Assessment Panels involving complaints against members. In the first of these cases no action was taken as the Local Assessment Panel found that, were the allegations to be substantiated, there could be no breach of the Code of Conduct for members as the member concerned was not acting in an official capacity as a Councillor at the relevant time. The second case was subsequently the subject of a hearing before a Local Adjudication Panel, resulting in a member being found to have breached the Code of Conduct for Members. The member concerned was censured and required to apologise to the complainant. The third case was referred to the Monitoring Officer for investigation and has yet to be concluded.

3.26 At each formal meeting of the Council, the Executive and the Council's Committees, members are reminded to declare any interests in relation to the business to be discussed and decisions to be taken. As a necessary part of being a member all members are provided with a Members' Handbook. This contains a section, which gives advice on matters relating to compliance with the Code of Conduct.

3.27 The Council has a Register of Member Interests, maintained by the Monitoring Officer, in which all registrable interests must be entered. Members are reminded on a regular basis (at least annually) of the need to register their interests. Registrable interests include gifts and hospitality received by members.

3.28 Senior staff have participated in the creation of, and been trained in the importance of, the Council's values. The focus on a values-led organization, rather than simply an organization with values, emphasizes the importance of conduct in line with those values. Managers are required to emphasise the importance of this to their staff.

3.29 Each member of staff receives an induction pack, which includes the Code of Conduct for Officers, Financial Regulations, and Standing Orders, and the importance of adhering to these standards is emphasised.

3.30 In addition professional staff are subject to the codes of conduct of their particular professions.

F. Standing Orders, Financial Instructions, Delegations, Contract Regulations and their Update

3.31 This Section explains the arrangements that apply for Standing Orders, Financial Instructions, Contract

Regulations and supporting documentation. It further explains the arrangements for their review and how decisions are taken.

3.32 The Council's Standing Orders, including regulations regarding contracts, and Financial Regulations are part of the Council's Constitution.

3.33 The Council has a Constitution Committee, which meets as necessary to consider changes to the Constitution and make recommendations to the full Council, which can also make changes to the Constitution on the recommendation of any of the three statutory officers.

3.34 Updates to Standing Orders are undertaken when it is considered appropriate. Updates to Financial Regulations are generally considered annually as part of the Council's budget process, and approved at Budget Council.

3.35 Financial Regulations include a section on risk management, and the importance of managing risk within every aspect of management. This is also emphasized in the Risk Management Strategy, which is reviewed annually.

G. Financial Management Arrangements

3.36 The Chartered Institute of Public Finance and Accountancy (CIPFA) published a statement on the role of the Chief Financial Officer in 2010. This statement includes a significant number of governance requirements in relation to financial management in general and the role and responsibilities of the Chief Financial Officer (CFO) in particular. These include the requirement that the CFO 'should report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to the other members.' This is not the case in Luton, and the statement requires the reasons for this to be explained, together with how the arrangements adopted deliver the same impact.

3.37 In Luton, along with a number of other Councils, the role of Chief Financial Officer is at Head of Service level, rather than at Corporate Director level. This does ensure that the CFO's role is focussed on the core financial and strategic responsibilities rather than being diluted by taking on a wider remit. The CFO reports to the Director of Customer and Corporate Services. However, the CFO has access to all meetings of the Corporate Leadership Management Team (CLMT), and to all corporate officer meetings with elected members, as well as being able to go directly to the Chief Executive whenever necessary. The CFO regularly attends CLMT, and makes a full contribution to strategy planning, development and implementation alongside providing financial advice.

3.38 Luton's financial management arrangements are in line with the other key governance requirements in the CIPFA statement.

H. The Role and Functioning of the Audit and Governance Committee

3.39 The Audit and Governance Committee of the Council discharges the functions of the Council as required by the Practical Guidance for Local Authorities on Audit Committees published by the Chartered Institute of Public

Finance and Accountancy. The Committee, which meets quarterly, helps improve the corporate focus on the core issues arising from internal control, reporting and management, and receives regular reports on Internal Audit reviews, as well as reports from external audit, and an annual review of risk management.

I. Compliance with Law and Internal Policy and Procedure.

3.40 This section addresses the arrangements that are in place to ensure that relevant law and regulation is complied with by the Council and to ensure that internal policy and procedure is observed. In particular the arrangements to ensure that all expenditure by the Council is lawful as described.

3.41 The Chief Executive is responsible for the effective and efficient administration of the Council. The Head of Legal Services as Monitoring Officer is required to ensure that agreed procedures are followed and that the Council conducts its business lawfully and in accordance with all applicable statutes and regulations. If the Monitoring Officer becomes aware that the Council or any Committee or officer on its behalf has or is about to embark upon an unlawful course, then he has a duty to report the matter to either the Full Council or, in the case of executive functions, to the Council's Executive. The precise scope of this duty is set out in Sections 5 and 5A of the Local Government and Housing Act 1989 (as amended).

3.42 The Head of Corporate Finance as Chief Finance Officer is similarly required to report issues of a financial nature to the Council where they may give rise to a breach of requirements, be they statutory or otherwise.

3.43 All papers to be considered by members at formal meetings are scrutinised by the statutory officers, or staff acting on their behalf, to ensure compliance with regulatory requirements. This includes scrutiny by Finance officers to ensure that all expenditure is lawful.

3.44 Heads of Service are also required to ensure that their services comply with legislation and regulation. They are aided by numerous professional networks, and they are required to review, at the end of each year, that the service has complied with legislation, regulation, internal policy, including the application and maintenance of internal controls and procedure, as part of their annual assurance Statement of Governance and Controls.

3.45 Each Head of Service and Corporate Director is responsible for the effective use of the human, financial, and information technology resources allocated to their services, and there are also professional Heads of Service for each of those areas. The assurance statements referred to above also relate to the effective use of resources to deliver services.

J. Whistleblowing and Complaints

3.46 This section describes the processes for whistleblowing and the arrangements for handling complaints.

3.47 The Council has sought to ensure that officers are not inhibited in whistleblowing by employing the services of an external company to take any whistleblowing allegations

on a confidential basis. This has been advertised to staff in a number of ways including the issuing of a card to each employee sent out with payslips, explaining the service. Staff can also, if they wish, make whistleblowing allegations direct to the Council's Monitoring Officer.

3.48 The Council has set out and published procedures for dealing with complaints, with target times for complaints to be acknowledged, investigated and responded to, and with each department having a nominated complaints co-ordinator to review progress.

K. Development of Members and Senior Officers

3.49 The Council has a member development programme, and a senior officer development programme, Gold, designed to provide training in key corporate requirements. The personal performance appraisal system has been developed and strengthened as an assessment of competencies, which for senior officers includes valuing people, achieving excellence, and working smarter. Heads of Service have undergone an external assessment and interview process during 2011 to ensure that the new, slimmed down senior management structure is based on appropriate leaders.

L. Engagement with Communities and other stakeholders

3.50 This section describes how the Council establishes clear channels of communication with all parts of the community and other stakeholders, how it ensures accountability and encourages open consultation.

3.51 The Council places a high value on listening to its citizens and service users. It is keen to know what local people want so that it can plan to provide services in line with that people need and want.

3.52 Consultation and community engagement is seen as an integral part of service planning, delivery and decision-making, and this is reflected in the Council's values.

3.53 The Council has developed a planned and coordinated approach to our consultation and engagement activities. This has been facilitated by:

- *a corporate team of consultation and communication practitioners*
- *a collaborative approach to partner consultation and engagement*
- *the use of a consultation and research procedure which incorporates research governance and quality assurance principles*
- *the setting up and on-going development of the consultation and research portal (a databank of planned, current and completed consultations)*
- *increased use of mixed methodologies to enhance response rates (especially amongst seldom heard communities) and greater use of on-line activities*
- *community governance pilots*
- *establishing a range of corporate and service specific consultation and user engagement mechanisms such as the Luton Citizens' Panel (a*

panel of 1000 residents which is broadly representative of the adult population), service or issue specific surveys including a bespoke approach for dealing with road safety and traffic management problems, and range of interest forums such as the Luton Older People's Forum, the Sounding Board (for Council tenants) and the Children's Panel (for looked after children and care leavers) to name a few.

3.54 The Council encourages local communities to be involved in action planning and decision-making, and this is exemplified in its Area Committees and Ward Forums.

3.55 The Council has a good track record of working with its partners in the statutory and third sector on joint consultation initiatives. Key areas of joint working have included the Joint Strategic Needs Assessment, Sustainable Community Strategy and the Joint Planning and Transportation Committee.

3.56 With regard to communications, the Council uses a range of approaches to inform and feed back to citizens including its monthly newspaper, Lutonline, the website – including podcasts, local media, direct mailings, member surgeries and exhibitions.

M. Partnerships

3.57 The Council has a large number of collaborative/partnership arrangements with other organisations, of which the key one is the local strategic partnership (Luton Forum).

3.58 Partnership working is an essential part of modern local government, and the Council's partnership register shows just how many collaborative partnerships, of varying sizes, the Council is involved in. The register has been reviewed and updated during the course of the year and now clearly identifies the Council's key strategic partnerships.

3.59 Officers have produced partnership guidance to ensure that key issues of risk are taken into account prior to the setting up of partnerships, and to ensure that they set up in line with the Council's key objectives.

N. Group Governance

3.60 The Council has a wholly-owned company, London Luton Airport Limited, that owns the land on which London Luton Airport is operated by London Luton Airport (Operations) Limited, under the terms of a 30 year lease. The Council provides secretarial and professional advice to London Luton Airport Limited, which has its own Board, Constitution, and Memorandum and Articles. The accounts of London Luton Airport Limited are incorporated into the group accounts of Luton Borough Council. The assessment of governance and controls by the Head of Corporate Finance included an assessment of the governance and controls of London Luton Airport Limited.

4. Review of Effectiveness.

4.1 Luton Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal control. The review of effectiveness is informed by the work of the Corporate Directors and Heads of Service who

have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by the reviews of the external auditors, the Audit Commission, and other review agencies and inspectorates.

4.2 The Risk and Internal Control Group with responsibility for drafting this Annual Governance Statement have considered the governance framework and the system of internal controls. This group comprises the Risk Champions for each department, and have involvement in and oversight of the processes necessary to maintain and reviewing the effectiveness of the governance framework. In producing this statement full regard has been made to the Council's Risk Registers, corporate and departmental, plus those maintained for major projects and those of partners. In addition the governance framework was strengthened during 2010-11 by the introduction of quarterly statements of governance, with effect from September, for all Heads of Service, addressing the areas of highest perceived risk in terms of internal controls.

4.3 The Council itself maintains overall control of its governance framework and has approved, for example, updates of Financial Regulations.

4.4 The Executive is responsible for all Council functions except as specifically provided otherwise by law (and this is reflected in the Constitution). The Executive has received regular reports on the Council's corporate risk register, and has updated the Council's Risk Management Strategy and Policy.

4.5 The Audit and Governance Committee considered external assessments and internal audit reports throughout the year.

4.6 Overview and Scrutiny Board have reviewed and challenged Executive decisions during the year. The Board focussed on an evidence-based approach and the use of Task and Finish groups for particular projects.

4.7 Overview and Scrutiny Board has delegated responsibility for scrutiny of treasury management to the Finance Review Group. The Group reviewed the Annual Strategy Statement.

4.8 The Standards Committee reviews the effectiveness of the Code of Conduct for Members on annual basis.

4.9 Internal Audit have undertaken audits throughout the year using risk-based audit assessments. The service has reported to management on control issues, and produces an annual report to Audit and Governance Committee. The service has reviewed itself against the self-assessment checklist in the Cipfa Code of Practice for Internal Audit . The Council's external auditor also carries out an annual review of the work of internal audit.

4.10 The Council's Monitoring Officer and Chief Finance Officer have provided assurances that no major issues have arisen during 2010-11.

4.11 The major inspections during 2010-11, in addition to the annual audit, have been of Children's and Adult Social Care, both of which were assessed as performing well. The unannounced inspection of contact, referral and

inspection arrangements within Children's Services did not have any priority areas for improvement (an improvement on the previous year).

4.12 The annual audit letter's risk areas requiring action by the Council were the need to reduce sickness absence, and the funding shortfall in the capital programme. The external auditors issued an unqualified opinion on the accounts for the year-ended 31 March 2010 and concluded that there are adequate arrangements in place for ensuring value for money. There were a number of detailed recommendations arising from the audit, particularly in relation to the valuation and accounting for assets.

4.13 Outcomes are improving in many areas that matter most to residents. Ofsted's Annual Children's Services Assessment stated that 'Almost all outcomes for children and young people are improving in Luton.' The speed of processing of housing benefits has been significantly improved over the last 2 years, and the proportion of council tax collected in year has also improved. The Adult Social Care Inspection noted that there were significant improvements in the numbers of direct payments to clients, and that the quality of commissioned regulated care services had improved, with 81.3% receiving Care Quality Commission ratings of good or excellent.

4.14 There were a number of major challenges during 2010-11. A number of specific grants were cut and reduced in-year, as a part of the new Government's emergency budget in June. Part of the Council's Building Schools for the Future project was cancelled after much preparatory work had taken place, and the Council had to make unprecedented levels of savings in order to set a balanced 2011-12 budget. Each of these issues was addressed. The outcome of the Government's reconsideration of 2 schools as part of the Building Schools for the Future project is still awaited.

Review of Progress in relation to Significant Governance and Internal Control Issues in the 2009-10 Statement

4.15 The first major issue in the 2009-10 statement was the need to respond to the challenge arising from reductions in Government grant. This was a major corporate focus in 2010-11, and will remain so for future years. As a result the Council's 2011-12 budget contains almost £20m of savings, with relatively little impact on direct service provision to the public.

4.16 The scale of the capital programme was the next major issue, and there has been a significant reduction. The 2011-16 capital programme is £324million, which is £218million less than the 2010-15 programme.

4.17 A Children's Service inspection report in 2009 included a priority area for action in terms of initial assessments. The 2010 review assessed that the work undertaken to make improvements has been sufficiently robust so that this is no longer a priority area, although it remains one of the areas for development, and the improvement plan continues to address this.

4.18 The Council has revamped its appraisal process and introduced a new personal performance appraisal process

linked to clear competencies. This is improving performance management of staff.

4.19 Standing Orders were amended to allocate responsibility for the scrutiny of Treasury Management.

4.20 Housing remains a priority for the Council and the 2010 strategy is being implemented. Significant progress has been made in improving the speed of benefit claims through restructure of the benefits team. The Council has entered into a joint venture to help increase the supply of affordable homes and work on the first three sites has begun. The Council is using the Choice Based Lettings scheme to help tackle overcrowding, though this can only contribute when vacancies occur in suitable larger properties. The housing strategy is due for renewal this year and work has started on a program of consultation to establish the priorities within the strategy.

4.21 The 'no assurance' audit of Lealands High School has been followed up and as a result of good work by the staff of the school, the audit opinion is now satisfactory.

Conclusion

4.22 In view of these assurances the overall framework of governance appears to be working reasonably effectively. Significant governance issues are addressed in the following section. These do need to be seen in the overall context of an effective governance system.

5. SIGNIFICANT GOVERNANCE AND INTERNAL CONTROL ISSUES

5.1 The major Governance and Internal Control issues facing the Council arise from the transformational challenge required as a result of the ongoing reductions in Government funding. This is in terms of developing appropriate savings options and new models for service delivery, and managing those options and models so that they deliver effective services to the public at the reduced levels of cost. This includes ensuring that risk management strategy and practice evolve effectively and that business continuity plans are changed to reflect the changing business models. The decision on the future of the airport concession, in terms of whether or not the Council exercises the 2014 break clause contained in the existing lease, will also have a significant impact on governance challenges in future.

5.2 Although the scale of the Council's capital programme has reduced, it still includes major schemes such as the Luton Dunstable Busway which will require excellent management to deliver to timescales and budget. In addition the resourcing of part of the programme is based on levels of capital receipts which the Council aims to achieve over the next 5 years. In March 2011 the Executive determined not to proceed with the sale of the Drill Hall, and to review its approach to disposals. This needs to be tied in with the resource assumptions in the capital programme, and if as a result they no longer appear realistic, the capital programme will need to be adjusted accordingly.

5.3 Sickness levels have been identified as a priority area for action by both the Chief Executive and the External Auditor. Initial actions have reduced the average level

from 13.43 days per employee in 2009/10 to 11.25 days in 2010/11, and an Employee Health and Wellbeing Strategy is being developed in order to reduce sickness levels further.

5.4 The Council has yet to clarify corporate responsibility for data ownership, to ensure good governance of the data framework and records management.

Signed

Trevor Holden
Chief Executive

Date:

Hazel Simmons
Leader of the Council

Date:

The Auditors Report will be inserted here at the conclusion of the audit.

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Accounting Polices
Accounting policies define the process whereby transactions and other events are reflected in the financial statements.

Accrual Accounting
The concept that items of income and expenditure are included in the accounts in the year they are earned or incurred, not when the money is received or paid.

Balance Sheet
This is a summary of the assets and ***liabilities***, funds and reserves of the Council. It brings together the accounts of the Authority including the ***General Fund***, the ***Housing Revenue Account*** and the ***Collection Fund***.

Budget
This is a statement of the expected level of service to be provided expressed in monetary terms, over a set period of time including both revenue and capital expenditure.

Capital Adjustment Account
This account was formed on 1 April 2007 from the consolidation the former Capital Financing Account and the Fixed Asset Restatement Account. Transactions on the account since reflect the financing of capital expenditure, the adjustment for the ***Minimum Revenue Provision*** and adjustments to the value of assets in the balance sheet which cannot be accounted for in the ***Revaluation Reserve***. This account cannot be used to fund revenue expenditure

Capital Expenditure
Expenditure on the acquisition of a ***fixed asset*** or expenditure, which adds to and not merely maintains the value of an existing fixed asset.

Capital Receipts
Proceeds from the sale of ***fixed assets*** and repayment of advances. These are either set aside for the repayment of loans or used to finance new capital expenditure.

Carry Forwards
These are year-end under spends which have been approved by Members to be carried forward into the next year to support specific expenditure.

CIPFA
This is the Chartered Institute of Public Finance and Accountancy, the accountancy body which sets and monitors professional standards and provides guidance for public services accounting.

Collection Fund
This fund receives all income raised through Council Tax and Non-Domestic Rates. The fund then disperses funds to the Income and Expenditure Account, pays the ***precepts*** to the Bedfordshire Police Authority and Bedfordshire and Luton Combined Fire Authority, and transfers the ***Non-Domestic Rate*** income to the Central Government national pool for redistribution.

Community Assets
Assets that the council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and works of art.

Contingent Liability
A contingent liability is a possible obligation arising from past events that will only be confirmed by future events. An

example of a contingent liability would be a court case or employment tribunal case, which had commenced, but not concluded at the year-end.

Corporate and Democratic Core
The corporate and democratic core comprises all activities that the council engages in specifically because it is an elected, multi-purpose authority. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Council Tax
This is the means of raising money locally to pay for local authority services. This is a property-based tax where the amount levied depends on the valuation of each dwelling.

Creditors
Amounts owed by the Council for goods or services that it has received but for which payment had not been made by the balance sheet date of 31 March.

Current Assets
These are assets that can be readily realised and converted into cash.

Current Liabilities
These are liabilities that are due for payment immediately or in the short term.

Current Service Cost (Pensions)
This is the increase in the present value of a ***defined benefit scheme's*** liabilities expected to arise from employee service in the current period.

Curtailment
For a ***defined benefit scheme***, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include the termination of employees' service sooner than expected and the termination of or amendment to the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors
Amounts owed to the Council where services have been delivered but for which payment has not been received by the balance sheet date of 31 March.

Deferred Grants and Contributions
Amounts received or receivable from government and other organisations that has been used to finance capital expenditure. In accordance with the ***SORP*** these amounts are written off over the same period as the assets to which they relate are ***depreciated***.

Deferred Liabilities
These are sums due to be paid by the Council in future periods.

Defined Benefit Scheme
This is a pension or other retirement benefit scheme other than a ***defined contribution scheme***. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme
A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciated Replacement Cost
A method employed in valuing land and buildings where a market value basis is not readily available. For example this method might be used for valuing schools, where there is no market for the asset in its existing use.

Depreciation
This is the measure of the value of ***fixed assets***, used to provide services, consumed during the accounting period and is based on the expected useful life of the asset. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset.

Doubtful Debts
A ***provision*** made for debts which might not be paid, based on the age and particular circumstances relating to the debt.

Earmarked Reserves
These reserves represent the monies set aside that can only be used for the specified use or purpose.

Emoluments
Amounts paid to employees of the council, including expenses or non-monetary benefits that are taxable net of employee pension contributions.

Estimation Techniques
The methods adopted by the council to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves

Events After the Balance Sheet Date
Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

Exceptional items
Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give a fair representation to the accounts.

Extraordinary items
These are material items, needing a separate disclosure because they are activities that fall outside of the ordinary activities of the authority.

Fair Value
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Financial Reporting Standards (FRS's)
These are statements of accounting standards issued by the Accounting Standards Board. Accounting standards apply to all companies, and other kinds of entities that prepare accounts that are intended to provide a true and fair view. The extent to which they apply to local authorities is determined by the ***SORP***.

Foundation School
A school that receives funding from the Council, but where the governing body owns the land and buildings. Many of these schools were formerly grant maintained schools.

General Fund
This is the council's main revenue fund to which revenue receipts are credited and from which revenue liabilities are discharged. The movement on the fund in the year represents the excess of income over expenditure.

Generally Accepted Accounting Principles
Generally Accepted Accounting Principles (GAAP) is the standard framework for financial accounting for a particular geographical area. The ***SORP*** has been changed in recent years to be based on UK GAAP, but is being further amended in preparation for the move to ***IFRS***.

Government Grants
Financial assistance provided to the council by government departments, inter-government agencies and similar bodies to enable services to be provided.

Gross expenditure
Expenditure before deducting any related income.

Group Accounts
These show the revenue account and balance sheet including regulated companies of the Council. There is only one company that falls within the regulations and that is London Luton Airport Ltd.

Historical Cost
The value of the ***capital expenditure*** originally occurred when the asset was purchased, constructed or enhanced.

Housing Revenue Account (HRA)
This is the ring-fenced account that records the income and expenditure relating to the provision of council housing.

Impairment
This is a reduction in the value of a ***fixed asset*** below its carrying amount on the ***balance sheet***. Examples would include loss in value due to physical damage or decline in market value due to a general fall in prices.

Income
Amounts that the Council receives, or expects to receive, from any source. Income includes fees, charges, sales, ***government grants***, ***Council Tax*** and ***Non-Domestic Rates***.

Infrastructure Assets
These are ***fixed assets*** that cannot be assigned to others and hence have no value to other entities. Examples of infrastructure assets are highways and footpaths.

Intangible Assets
This is expenditure that is of a capital nature, but where no tangible asset exists. An example of intangible asset is a computer software licence.

International Financial Reporting Standards
International Financial Reporting Standards (IFRS) underlie the preparation and presentation of financial statements in a consistent format so that users from different countries can interpret financial information. The UK public sector is moving towards IFRS and 2010-11 is the first year that Local Government has produced IFRS compliant accounts.

Inventory
The amount of unused or unconsumed inventory (stocks) held by the council in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Investment Properties
An interest in land and/or buildings where construction work and improvements are complete and it is held for its investment potential, with any rental income being negotiated at arm's length.

Investments (Pensions Fund)
The investments of the Pensions Fund are accounted for in the accounts of the Fund, which is administered by Bedford Borough Council. However the council is required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

Investments (Non-Pensions Fund)
A long-term investment is an investment that is held for use on a continuing basis. The council's long-term investments mainly relate to the capital investment in London Luton Airport Ltd and in land development. In addition long-term investments include surplus funds that are invested for periods in excess of twelve months. Short-term investments, which are classified as current assets, comprise deposits of temporary surplus funds with banks or similar institutions.

Liabilities
Amounts the authority either owes or anticipates owing to others, whether they are due for immediate payment or not.

Liquid Resources
Current asset investments that are readily disposable by the authority without disrupting its business and are readily convertible to know amounts of cash at or close to the carrying amount, or traded in an active market.

Long Term Debtors
These are amounts due to the council more than one year after the balance sheet date.

Long Term Loans
Loans repayable more than one year after the balance sheet date.

Major Repairs Allowance (MRA)
The MRA is a government subsidy that was introduced to replace the Housing Revenue Account borrowing for repairs.

Major Repairs Reserve (MRR)
This reserve is for capital expenditure on HRA assets.

Minimum Revenue Provision (MRP)
This is the minimum amount that must be charged to an authorities income and expenditure account each year, as a notional redemption cost of the authority's credit liabilities, for example an element of the principal repayment of outstanding loans.

Moratorium
The mechanism used by the council to postpone new, non-urgent expenditure to offset identified ***budget*** overspending.

Net Book Value
The amount at which ***fixed assets*** are included in the ***balance sheet***, for instance their historical cost or current value less the cumulative amounts provided for ***depreciation***.

Net Current Replacement Cost
The cost of replacing or recreating the particular asset in its existing condition and in its existing use, for instance the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Debt
This is the council's borrowing less cash and ***liquid resources***.

Net Expenditure
This is gross expenditure less directly related income.

Non-operational Assets
Fixed assets held by the council, but not used or consumed in the delivery of services or for the service or strategic objectives of the council. Examples of such assets include ***investment properties*** and assets that are surplus to requirements, pending their sale.

Non Domestic Rates (NDR)
This is a rate in the pound set by central government at a standard countrywide rate, applied to the rateable value of each premise not being used for domestic purposes. It is collected locally by the council and paid over to central government. Central government then redistribute NDR to council's by revenue grant in proportion to the population of each authority.

Operating Leases
This is a method for acquiring the use of ***fixed assets***, mainly vehicles and equipment, where ownership remains with the lessor**.**

Operational Assets
Fixed assets held and occupied, used or consumed by the council in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority.

Precept
The levy made by other authorities, namely the police authority and the combined fire authority, on the council,

requiring the council to collect income from council taxpayers on their behalf.

Provisions
Provisions represent sums set aside in the accounts to meet future expenditure where the specific liability is known to exist but is of uncertain amount or timing.

Prudential Borrowing
This is borrowing by local authorities without government financial support, but in accordance with the ***CIPFA*** prudential code of local authority borrowing to finance ***capital expenditure***.

Public Works Loan Board (PWLB)
This is a government body that provides loans to local authorities for financing ***capital expenditure***.

Related Parties
Two or more parties are related parties when at any time during the financial period one party has direct or indirect control or influence over the other, or the parties are subject to common control from the same source.

Related Party Transaction
A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Revaluation Reserve
UK ***GAAP*** compliant account introduced for the first time in 2007-08 that reflects revaluations of assets from 1 April 2007, enabling assets to be shown in the balance sheet at current value. The overall balance is attributable to identifiable assets and ***impairment*** can only be charged here if a previous valuation gain was greater than or equal to the impairment being credited to the reserve. This account does not represent additional resource available to the Council.

Reserves
These monies set aside are mainly available to meet future commitments. Earmarked reserves are allocated for a specific purpose. Three of the reserves, the ***Capital Adjustment Account***, the Pensions Reserve and the ***Revaluation Reserve*** cannot be used to meet commitments.

Retirement Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Contributions to Capital Outlay
These are contributions from the income and expenditure account to finance capital expenditure.

Revenue Support Grant
This is the amount of general Central Government grant support for local authority expenditure. In addition there are specified grants directly related to particular services and costs**.**

Scheme Liabilities
These are the liabilities of a ***defined benefit scheme*** for outgoings due after the date the fund was valued. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

Senior Officer
This is as defined in the Local Government and Housing Act 1989 and encompasses the designated head of paid service, the statutory chief officers and the non-statutory chief officers of the council.

Settlement
An irrevocable action that relieved the employer (or the ***defined benefit scheme***) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. An example of settlement would be the payment of a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits.

Specific Grants
These are ***government grants*** to local authorities in aid of particular projects or services.

Specific Reserves
These are sums set aside to meet revenue or ***capital expenditure*** needs in the future.

Statement of standard accounting practice (SSAP)
These are agreed by accounting bodies and describe standard treatment to be used in the preparation of accounts, they have mainly now been replaced by ***FRS's***.

Statement of recommended practice (SORP)
This document constituted 'proper accounting practice' under the terms of the Local Government Act 2003 and was developed on an annual basis by ***CIPFA*** until the adoption of International Standards, it is now referred to as the "Code of Practice on Local Authority Accounting".

Tangible Fixed Assets
These are tangible items that give benefits to the authority for more than one year and include operational buildings, land and equipment, ***Community Assets***, ***Infrastructure assets*** and ***non-operational assets***.

Trading Accounts
These accounts are for areas that provide services to clients, either within the authority or to external organisations, on a basis other than a recharge of cost, for example, quoted price or schedule of rates.

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